

Thematic Working Group on "Financing Adult Learning"

Final Report

Brussels, 22nd October 2013

This report has been prepared, as a contribution to the debate on policy development in adult learning, by the Thematic Working Group on Financing Adult Learning, established in the framework of the Open Method of Coordination under the work programme of ET2020.

It is presented to the European Commission for further dissemination among policy makers at national and European level as well as social partners, civil society organisations and other stakeholders.

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POLICY SUMMARY:

KEY MESSAGES AND SUGGESTIONS FOR ACTIONS

In 2011 two Thematic Working Groups were set up within the strategic framework for European cooperation in education and training (ET2020) to address, respectively, the issues of financing adult learning and quality in Adult Learning. The Thematic Working Group (TWG) on "Financing Adult Learning" has worked on both policy suggestions and the development of a toolkit of draft instruments to support them are presented in the full report and detailed in its annexes. The TWG identified the twelve key messages presented below to inform and focus the policy debate on how best to fund and to invest in adult learning. Drawing on the body of the report, the rationale for each message is set out. Messages are complemented with suggestions for Suggestions for Action addressed to national policy-makers and to the European Commission.

The Europe 2020 strategy recognises that adult learning contributes to the agenda for inclusive growth by providing a means of up skilling or re-skilling those affected by unemployment, restructuring and career transitions, as well as making an important contribution to social inclusion, active citizenship and personal development. However, the benefits of adult learning reach beyond the learners themselves. For economies as a whole, sustainable growth requires higher productivity which in turn requires a workforce which continuously improves its skills. Whilst for society more broadly, the cost of exclusion and inactivity in terms of crime, ill health and dependency can be substantially reduced by providing suitable learning opportunities for all. Despite this, the evidence is that in most countries participation in adult learning continues to remain below the 15% benchmark set as part of the ET2020 vision, and in many cases, is declining.

The impact of the economic crisis reinforces the concern of TWG members and others that that the overall investment in adult learning will not be sufficient to meet future priorities and targets that depend on skilling, reskilling and up skilling adults. Given the adverse economic climate, the TWG concluded that it is essential that policy be informed by better intelligence on the relative costs and benefits of adult learning so that the overall need for investment can be recognised and achieved. This includes more clearly recognising the distribution and relative balance of the benefits of learning to individuals, employers and wider society respectively. As part of such a better informed approach to funding, the TWG believes there is a corresponding need to improve the effectiveness of investment in adult learning; both through improved methods of funding and by a better balancing of the contributions made so that they reflect more closely how the benefits are shared. In particular there is an interest as to the comparative effect of different funding policies and instruments in leading to improvements in the quality and quantity of adult learning for particular target groups.

The Council Resolution on a renewed European Agenda for adult learning¹ invited countries to focus on ensuring a viable and transparent system for the funding of adult learning based on a shared responsibility with a high level of public commitment to the sector and support for those who cannot pay, balanced distribution of funds across the lifelong learning continuum, appropriate contribution to funding from all stakeholders and the exploration of innovative and more effective and efficient funding.

¹ 2011/C 372/01

During the period 2012-2013, the TWG used the Open Method of Coordination (OMC) to analyse existing funding policy and practice of Countries in order to identify key questions for each of which the rationale, key messages and potential Suggestions for Action are presented. In addition a number of practical tools and sources of further information are provided which will help national public authorities and social partners working alongside the European Commission to review and enhance their policies for investing in adult learning. In particular the Report will inform the national debates on the funding of adult learning as called for in the 2012 European Commission Communication “Rethinking Education: Investing in skills for better socio-economic outcomes”.

Why invest in adult learning?

ET2020 sets out the urgent need to invest in adult learning to ensure the future success of Europe. Forecasts show that by 2020 more than a third of all jobs will require tertiary level qualifications, with only 15% expected to be low skilled. Yet currently 25% of adults only have low levels of qualifications. Therefore adult learning can also contribute to the headline target of lifting 20 million people out of poverty and social exclusion. Improving skill levels of adults improves their access to employment which is important for tackling economic and social disadvantage. Demographic changes and migration are also affecting supply and demand for skills differently among countries. Participation in learning has also a positive impact on wider social benefits such as healthier living, reduced community tension and increased feelings of well-being. Investment in adult learning infrastructure has the additional benefit of stimulating sustainable growth. However there is a need for better information on the rate of return on investment, especially with respect to social benefits.

How can investment in adult learning be made smarter?

While the overall level of participation in adult learning is important, both public and private investment should focus on priorities for stable and sustainable development and be orientated on high quality outcomes. Government backed quality assurance systems provide consumer protection for learners as well as ensuring efficient use of investment. Use of cost benefit analysis techniques, recognising both economic and social benefits, can improve the efficiency of investment. Good practice and innovation from short term projects should be sustained through mainstream funding mechanisms.

Who should pay for what in adult learning?

Countries report the need to rebalance the responsibility for funding between government, employers, individuals and other stakeholders – such as civil society organisations – to ensure there is sufficient investment in adult learning. Government has an important role in the funding for disadvantaged groups and correcting market imperfections. Employers and individuals make investments based on their own perceived costs and benefits. Sharing of costs, reflecting those who benefit, can bring about a more stable and sustainable funding environment. Collective arrangements for cost sharing between employers, for example, can be especially effective at overcoming the reluctance to invest because of the fear of ‘poaching’ by competi-

tors. Involvement of social partnerships and civil society organisations can ensure equity in cost sharing arrangements and bring funding from new sources (such as foundations).

How should funding be prioritised?

After initial education, rates for participation in learning tend to fall rapidly with further participation being much higher among those who already have benefited from higher levels of education. While upskilling of those with high and medium level skills is important to economic development, there is also a need for those with low skills to reskill or upskill to enter, remain in or return to the labour market. Social inclusion and wider social development objectives also require a lifelong learning approach, both to overcome previous under achievement but also to benefit from opportunities for active citizenship. Special “accompanying measures” may be required to encourage engagement and successful completion by particular priority groups especially those who have not previously participated. These measures include the need for awareness raising, out-reach guidance and affordable childcare.

Which funding instrument to use for specific investments?

Different national traditions mean that there is a wide variation in the use of funding instruments. Developing a better understanding of the impact from the use of different instruments will help policy makers consider alternative approaches to the funding of adult learning. Operational decisions on implementation of a particular funding instrument may also have a considerable effect on its accessibility by learners, sustainability for providers and eventual cost-effectiveness. National authorities can draw on the experiences of other countries to identify relevant good practice.

Key Messages

1. Investment in adult learning supports creating a more equitable, cohesive, sustainable and competitive Europe through development of better skills and competences.
2. The rates of return to smart and efficiently organised adult learning can be as high as those for investment in initial education; and should be recognised as part of a well-balanced overall investment in lifelong learning.
3. Demographic changes and migration at a national and European level will have an impact on assumptions used in the planning of future funding requirements for adult learning provision.
4. Smart investment in adult learning contributes most effectively when focussed on policy priorities; including achievement of national and European benchmarks.
5. European funding (in particular European Social Funds and Lifelong Learning Programme/Erasmus +) should be linked directly with mainstream national adult learning funding to assure sustainability.

6. Appropriate use of new adult learning methods² can improve the efficiency, effectiveness and reach of adult learning provision – generating economies of scale and increased returns on investment.
7. Social partnerships can promote the use of cost sharing mechanisms between employers and individuals by recognising how both monetary and non-monetary costs and benefits can be more equitably shared.
8. Governments provide the policy environment, legal frameworks and incentives which encourage and enable employers, individuals and civil society organisations to contribute to the financing of adult learning.
9. Funding for adult learning needs to include the costs of the accompanying measures required to overcome barriers to participation by disadvantaged learners, as well as support for SMEs without the internal capacity to identify and respond to their organisation's learning needs.
10. Shared use of the public initial education and vocational education and training infrastructure for adult learning and provision can reduce the costs of adult learning and bring cross-sectoral synergies and cost savings in education and training.
11. Selective use of a range of funding instruments enables better targeting of resources for particular groups of adult learners; ensuring maximum value for money.
12. Evaluation and monitoring evidence enables the added value and cost effectiveness of particular funding instruments for specific circumstances to be identified.

Suggestions for Action

- Make greater use of **inter-disciplinary research**, from the monitoring and evaluation of the impact of investment in adult learning, as a basis for setting funding policies and priorities for adult learning at national and European level.
- Promote **awareness and use of specific quantitative values of the different economic and social benefits** of adult learning in making funding decisions, drawing on national and European studies.
- At a national level, **review the investment required to achieve the ET2020** adult learning benchmarks and how it will be financed.
- **Adapt funding policies to ensure appropriate levels of support for adult learning by priority groups.** Ensure that investment focuses on the achievement of economic and social policy priorities such as addressing gender gaps, supporting the low skilled and the re-engagement of non-learners.

² Such as open education resources, mass-on-line open courses and e-learning, where higher initial capital costs are offset by lower marginal costs of delivery allowing greater levels of participation without increasing overall costs

- **Invest in the development of adult learning staff and infrastructure**, in particular, to make greater use of Open Education Resources and other new learning methods.
- **Provide an appropriate policy environment, legal frameworks and incentives** to encourage and enable employers, individuals and civil society organisations to contribute to the financing of adult learning.
- **Establish guidelines for the roles of key stakeholders** in supporting efficient investment in adult learning – including individuals, social partners and civil society organisations.
- **Ensure that national and European quality frameworks³ for adult learning include mechanisms for identifying the full costs and benefits** to different stakeholders.
- Develop a **cost-benefit based approach** to the provision of accompanying measures designed to attract and support those without previous participation in adult learning.
- Develop **adult learning provision utilising the existing initial education learning infrastructure**, alongside other lifelong learning activities.
- At a European level develop **transnational Peer Learning Activities** for finance and policy officials from adult learning ministries.
- **Establish European Key Performance Indicators** for use in comparing the effectiveness of financial instruments.
- National authorities **review the capacity of existing financial instruments to fulfil the requirements** generated for adult learning by national economic and social policy objectives.

³ The Report of the TWG Quality in Adult Learning provides complementary information on this topic

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1. INTRODUCTION

The Europe 2020 strategy recognises that adult learning provides a means of up skilling and re-skilling those affected by unemployment, restructuring and career transitions, as well as making an important contribution to social inclusion, active citizenship and personal development. However the evidence is that in most countries participation in adult learning is below the 15% benchmark set as part of the ET2020 vision, and in many cases, is declining.

The Council Resolution on a renewed European Agenda for adult learning invited countries to focus on ensuring a viable and transparent system for the funding of adult learning; based on a shared responsibility with a high level of public commitment to the sector and support for those who cannot pay, balanced distribution of funds across the lifelong learning continuum, appropriate contribution to funding from all stakeholders and the exploration of innovative and more effective and efficient funding.

This Report is based on the outcomes of the Thematic Working Group on “Financing of Adult Learning” (TWG) which was established under the work programme of ET 2020 with the aim of assisting Countries in improving the efficiency, effectiveness and coherence of their funding for adult learning. During the period 2012-2013, the TWG analysed existing funding policies and practices of different Countries. The work of the TWG included meetings, desk research, expert work-shops and a PLA. Additionally, the interim findings of a Commission study on “Financing the Adult Learning Sector” (2013) have been discussed.

This Report is intended for policy makers concerned with the financing of adult learning, including policy makers within national ministries and European administrations but also social partners, employers and employee bodies, NGOs and civil society organisations. The TWG has also worked in liaison with the Thematic Working Group on Quality in Adult Learning which has been set up in parallel to the TWG on "Financing Adult Learning".

In addition to Key Messages and Suggestions for Actions, a number of practical tools, draft Key Performance Indicators and sources of further information are provided which will help Countries and the European Commission to review and enhance their policies for promoting efficient investment in adult learning, especially by individuals and companies.

1.1. Aim of the report

The overall aim of the report is to contribute to the debate on financing of adult learning through policy suggestions and draft practical tools. In view of the very diverse traditions and structures in different countries, this Report focuses on lessons likely to be relevant across a range of countries. The report recognises that there are three levels of interest to be addressed:

- The System level comprising European, national, regional and/or local policy-makers, decision-makers and representative groups who are mainly concerned with policy-making, strategic decisions and advocacy in relation to legislation, governance, structures, financing, quality assurance / development and overall development of adult education and training;

- The Provider level comprising those stakeholders, particularly providers of learning opportunities (such as dedicated centres as well as schools, training bodies, higher education institutions or other organisations), concerned with the provision of adult education and training provision to meet the needs of individual adult learners and the broader community;
- The Individual level comprising the individuals and organisations who make their own decisions to invest and partake in adult learning; the monetary and non-monetary factors which influence their decision to participate based on perceived wants and benefits; reflecting on their budget and time constraints as well as motivation to engage with particular providers, funding mechanisms or wider policy drivers.

Although primarily concerned with policy, the TWG recognises the importance and connectivity between each level and the advantage of having an understanding of how policy affects decisions at each level.

The main questions addressed by the TWG are:

- Why invest in adult learning?
- How can investment in adult learning be made smarter?
- Who should pay for what?
 - How should funding be prioritised?
- Which funding instrument to use for specific investments?

Within these broad questions particular consideration has been given to mechanisms for increasing participation, addressing market imperfections and ensuring equity. In addition, the TWG has discussed how the outcomes of its deliberations can be taken forward during 2013 and beyond.

1.2. Key terminology

Adult learning is characterised by its heterogeneity. As such it covers a wide range of learning activities with a diversity of overarching legislation, policies, governance, structures, priorities, aims, providers, staffing, organisational forms, infrastructure, learning content and learning outcomes.

Adults learn in a wide range of organised provision, for example ‘second chance’ provision in schools and adult education centres; in Continuing/Vocational Education and Training (C/VET) institutions; in higher education; in community-based institutions (e.g. museums, libraries); in the work place, in prisons and independently outside of organised provision. For the purposes of this text, the term adult learning covers the entire range of formal, non-formal

and informal learning activities — general and vocational — undertaken by adults after leaving initial education and training.⁴

1.3. How this report was developed

The TWG process has enabled participants from 17 countries, Social Partners, NGOs, academic experts other European stakeholder representative organisations - including adult learning providers - as well as European Commission officials, including those from Cedefop and Eurostat⁵, to collect and consider evidence about the funding of adult learning, to sharing good practice and to offer public authorities the opportunity to review their existing policies.

Three principle phases of activity have been followed:

- setting objectives and priority issues of interest, the work schedule and the nature of the outputs to be;
- information gathering through exchange of best practice, completion of an internal Questionnaire, preparation of "country fact sheets" in consultation with National Coordinators of the European Agenda for Adult Learning, accessing the outcome of recent research studies, a Peer Learning Activity, two expert workshops and a conference;
- preparation and testing of the Final Report within the TWG and in consultation with representatives from other potential user groups.

The TWG has worked in liaison with the Thematic Working Group on Quality in Adult Learning which was established at the same time as the TWG on Finance. The discussions of the TWG Finance have given due attention to ensuring that adequate resources are made available to strengthen and fulfil the quality standards across the three components of provision. Funding of poor quality provision is both wasteful of resources and counter-productive to achievement of adult learning goals.

2. POLICY CONTEXT

Skills and qualifications are an essential component of economic development, with forecasts showing that more than a third of jobs will require tertiary level qualifications by 2020 and with the number of low level skill jobs potentially falling to only 15%.⁶ Moreover, although the population of Europe is expected to increase by 12.6 million people, the workforce is expected to rise by only 5.2 million due to the number of older people retiring. Indeed the pro-

Council Resolution on a renewed European agenda for adult learning (2011/C 372/01)

⁵ Countries participating in the TWG were: Belgium, Croatia, Czech Republic, Estonia, Hungary, Italy, Luxembourg, Latvia, Lithuania, Malta, Norway, Romania, Slovakia, Slovenia, Switzerland, Turkey and the United Kingdom. European social partners and stakeholders' organisations were also represented, as was the UNESCO Institute for Lifelong Learning. Annex C contains further details.

⁶ "Anticipating the Evolution of Supply and Demand for e-Skills 2010 - 2015" Report for the European Commission (2009) by Empirica and IDC Europe

portion of workers aged over 45 will increase from 39% in 2010 to 42% in 2020⁷. There is also a strong view that improving economic prospects is central to tackling social disadvantage. On a social level it is recognised that active citizenship relies on individuals having the necessary skills to participate and shape their communities. Participation in learning is also associated with healthier living, reduced community tension and increased well-being. Thus there is growing concern that participation in adult learning in many countries is currently stagnating, or even declining in many countries.

2.1. European Policy Context

In March 2000, the Lisbon European Council set an ambitious target for Europe to become a competitive and dynamic knowledge based economic with more and better jobs and greater social cohesion. Education and training are seen as central to achieving this target. The 2003 Commission Communication “Investing efficiently in education and training: an imperative for Europe”⁸ identified that Europe suffered from an under-investment in human resources by both the public and private sectors. It also identified the need to ensure existing resources were used more efficiently. Furthermore it was recognised that national investments had to take greater account of the wider European context – reflecting such factors as labour mobility and demographic change.

EU2020, the successor to the Lisbon Strategy faced the challenge of shaping the EU’s response to the fall-out from the global economic and financial crisis. The Communication of the Commission⁹ (2010) set out three strategic policy directions/priority areas to re-invigorate economic growth: making lifelong learning and mobility a reality; improving the quality and efficiency of education and training and promoting equity, social cohesion and active citizenship. These three priorities constitute the policy framework for European co-operation in the fields of the economy, employment, education and training, research and social inclusion. Central to ET2020 is the target of achieving a 15% participation rate in learning by adults. It can be noted that at a European level participation in formal adult learning has declined to 8.9% in 2011 from 9.1% in 2010¹⁰. By contrast, TWG members report that participation in informal learning is rising (44.7% in 2007)¹¹ and may have important implications for overall adult learning strategies. For many adults learning through daily activities is an important means of gaining new knowledge and skills even if this does not lead to formal qualifications..

In December 2011, the Council Resolution on a renewed European agenda for adult learning¹² included as a priority area for 2012-14: “Ensuring a viable and transparent system for the

⁷ Cedefop (2012) Future Skills Supply and demand in Europe Forecast 2102

⁸ COM(2002) 779 final

⁹ Council conclusions of 12 May 2009 on a strategic framework for European cooperation in education and training (‘ET 2020’) (2009/C 119/02)

¹⁰ Recent Eurostat data indicates participation in adult learning during 2012 increased to 9.0%

¹¹ 2012 Education Monitor (European Commission) based on Eurostat Adult Education Survey data for 2003 and 2007.

¹² Council Resolution on a renewed European agenda for adult learning (2011/C 372/01)

funding of adult learning, based on shared responsibility with a high level of public commitment to the sector and support for those who cannot pay, balanced distribution of funds across the lifelong-learning continuum, appropriate contribution to funding from all stakeholders and the exploration of innovative means for more effective and efficient financing.” The Resolution also invited Member States to increase efforts to collect baseline information on financing, outcomes and wider benefits of learning for adults and society, as well as making better use of existing financing instruments where possible.

In November 2012, the Commission Communication “Rethinking Education: Investing in skills for better socio-economic outcomes”¹³ called on Member States to stimulate national debates on ways to provide sustainable mechanisms to enhance stability and efficiency. In particular, it proposed that special attention be given to a shared responsibility between public authorities, enterprises and individuals. Cost-sharing approaches exist in many forms in several member states – as outlined in a supporting staff paper. This rethinking is stimulated by recognition that public finances are insufficient by themselves to achieve the required level of investment to support a 15% adult participation rate. It can also be recognised that, in particular, cost-sharing methods can help ensure a more efficient and effective approach to investing in adult learning by better targeting of resources, use of most effective learning methods and motivation of learners.

In May 2013, the European Semester¹⁴ highlighted a number of actions necessary to improve the matching of skills and qualification with labour market needs. The Semester has also provided a number of (country-) specific recommendations, with particular reference to labour market requirements.

2.2. Key Drivers of ET 2020 policy

ET 2020 identified a number of headline targets relating to lifting 20 million people out of poverty and social exclusion; including ensuring that 75% of adults are in employment, at least 40% of 30-34 year olds complete third level education and reducing school drop-out rates to below 10%. Key drivers for achieving this which relate to adult learning include:

- Meeting future skill needs by up-skilling the 73.5 million low-skilled adults in the EU and re-skilling 23 million who are now unemployed and need new skills to find new jobs;
- Providing support to low skilled adults. – less than 4% of low skilled adults participate in a formal education or training programme;
- Promoting active ageing and lifelong learning: only 8.9% of 25-64 year olds participate in learning, and only 4.2 % of 50-64 year olds.

¹³COM(2012) 669 final

¹⁴COM(2013) 350 final

- Integrating migrants by providing them with the social and cultural knowledge and competence to integrate smoothly in local life and work
- Enabling older citizens to remain actively involved in the fast changing knowledge society

2.3. National Policy Context¹⁵

At a Member State level, the main priorities reflect a combination of common European policy aims as well as national, regional and local priorities. Particular attention has to be paid to the context in which a particular policy is being considered.

The TWG identified a number of common themes as well as factors reflecting the context of adult learning at a national level. The survey that has been undertaken by the TWG showed that the key drivers for adult learning activity are economic related – even for disadvantage groups where entry into employment is seen as part of the best response to their needs. The economic crisis is constraining investment in adult learning – especially with uncertainty over future ESF funding which is a main source of public finance for adult learning in many countries.

¹⁶In **Hungary** there are three levels of dialogue about training between employers and employees. The National Economy and Societal Council is the highest level of consultation among employers, employees, civil society, representatives of science and churches and makes recommendations to government. The National VET and ALE Council is the forum where the laws and future programmes are discussed. At a local level, Works Councils is where local questions are discussed between employees and a company's management.

It can also be noted that at a national level responsibility for public funding of adult learning may come within the remit of several ministries e.g. education, employment, culture or regional development. Funding approaches therefore reflect the particular policy priorities of the relevant ministry. Funding policy is also influenced by the various mechanisms that exist in some countries at a national, regional or sector level for ministries. Although a national context may exist, mechanisms for ensuring coherency between different adult learning funding streams are less well developed.

¹⁵ For clarity, the main text in this section focuses on references to general developments, policy initiatives and use of funding instruments; examples of which are contained in the grey text boxes. Country specific details are provided in the Country Fiches, contained in the second part of the Report, which provided a more detailed country by country description..

¹⁶ The examples contained in these grey text boxes are based on presentations and discussions given during TWG meetings, as well as examples provided by individual countries as part of the TWG's information gathering activities

In **Malta**, the adult learning unit of the Ministry of Education and Employment employs 400 adult educators delivering 1300 courses. Within the same Ministry, the Employment and Training Corporation offered 100 different courses.

In **UK – England**, the Skills Funding Agency funds 220 FE colleges, some 900 independent training providers, and some 2,500 training organisations with which colleges and providers subcontract. The budget for community based adult learning is about £200 million out of a budget of a total budget of £3.6 billion. In Wales, £6m is allocated to local authorities for adult community learning out of public budget of around £450m.

Particularly for those countries highly dependent on European funding to support adult learning, national priorities and public funding programmes can be directly linked to the priorities set in National Reform Programmes and European funding frameworks. In particular active labour market policies for address unemployment play a major role. These policies are primarily focussed on helping low skilled and unemployed people into employment. There is some emphasis on raising basic skill levels of those in work, along with example of intervention to prevent unemployment through in-service training. However older adults are under represented among beneficiaries.

In addition to macro policy drivers, at an operational level, the main factors driving selection and use of areas for consideration assessing funding mechanisms include:

- the necessary level of funding to support the different cost elements of developing, delivering and participating in the adult learning e.g. this includes both direct costs (teaching staff costs) and overheads such as maintenance of training facilities;
- that funding is available to the relevant actors when required, without cashflow problems e.g. providers have the pre-funding to develop new courses, learners have the funds available to pay for course books and travel costs;
- the funding provides an incentive to achieve the policy goals e.g. attraction of learners from priority groups, ensuring a focus on key economic skills,
- where funding comes from several sources, that there is an equitable balance between contributors reflecting costs and benefits;
- there is flexibility to enable new adult learning opportunities to be offered when required e.g. through flexibility in existing funding contracts or opportunities for receiving additional funding.

2.4. Current Practice – Study Findings

In parallel to the work of the TWG, a separate study has been carried out¹⁷ which presented information at different stages about the financing of adult learning in Europe and elsewhere. This study provides in-depth quantitative and qualitative account of the financing of adult learning, including the use and impact of different mechanisms both across Europe and in comparison with other international data.

The research identified over 300 different funding instruments across the core European countries examined, of which the half can be classed as cost sharing. These range from major supply-side funding programmes for major public training providers to local demand-side funded instruments targeted at specific priority groups. Other findings from the research include that expenditure on adult learning ranges from about 0.4% to 1.2% of GDP, with a broad correlation between participation and spending.

3. WHY INVEST IN ADULT LEARNING?

3.1. Rationale

Forecasts show that by 2020 more than a third of all jobs in Europe will require tertiary level qualifications, with only 15% expected to be low skilled. Yet currently 25% of adults have only low levels of qualifications. Improving skill levels of adults improves their access to employment which is important for tackling economic and social disadvantage. Demographic changes and migration are also affecting supply and demand for skills differently among countries. Improving skill levels underpin economic development while progression into employment is seen as essential for promoting social inclusion and tackling disadvantage. Participation in learning is also associated with wider social benefits such as healthier living, reduced community tension and increased feelings of wellbeing. Investment in adult learning has the additional benefit of stimulating sustainable growth, especially where it involves investment in major capital infrastructure or system development. However there is a need for better information on the rate of return on investment – of both the direct and wider benefits – as the basis for policy and individual decisions.

Key Message:

Investment in adult learning supports creating a more equitable, cohesive, sustainable and competitive Europe through development of better skills and competences

¹⁷“Financing the Adult Learning Sector“, FiBS – Forschungs institut für Bildungs- und Sozialökonomie DIE – Deutsches Institut für Erwachsenenbildung for the European Commission, (Contract EAC 2012-0073) forthcoming

3.2. Evidence

Although there is substantive evidence on the benefits of initial education, there is less quantitative research about the benefits of adult learning. Recent research by Cedefop¹⁸ notes that the benefits from vocational education and training are similar to those from general education. The interim findings from the Commission study on “Financing the Adult Learning Sector” suggest that returns from adult learning can be as high as those from initial education. The study also identified that there is a closer correlation between rates of adult learning and innovation than for higher education and innovation. This may be due, in part to the fact that while creation of innovation requires higher level skills, transfer of innovation into the workplace requires intermediate level skills and a flexibility to adapt to new work practices which is associated with participation in learning. Significantly, benefits from adult learning arrive sooner, since those taking the learning are already in the workforce whereas those currently in initial education may not enter the labour market until 2020 or beyond.

For government, job-related vocational training improves productivity and wage levels which results in higher tax revenues. Availability of, in particular, higher level skills, supports labour market flexibility. Active Labour Market Policies including training enable unemployed individuals to re-enter employment – producing savings on welfare benefits, improved individual earnings and increased output for their employment.

Enterprise investment in adult learning – which can equal or exceed public investment in many countries - reflect private priorities rather than public policy. Although the situation varies markedly between countries, around two thirds of European enterprises train their employees. Larger enterprises are more likely to support adult learning than SMEs due to a variety of factors. Larger enterprises have the internal systems to identify and meet training needs while many SMEs have difficulties in releasing staff during working hours. However it can be noted that a major part of enterprise funded adult learning is directly linked to statutory requirements – such as health and safety legislation or compliance with statutory standards e.g. in the construction sector. Higher level and more highly skilled staff are more likely to undergo training in enterprises (the better trained get more training). There is also lower participation by older workers.

At the Peer-Learning Activity which took place in **Luxembourg**, the example was presented whereby companies can claim from government a proportion of their investment in staff development. In 2012 the grant level was increased to 20%. Furthermore, a grant of 35% can be claimed for unqualified workers with less than 10 years of service and for any worker above the age of 45.

For individuals, employment opportunities (higher wages, improved job and career prospects) or job requirements (health and safety, new work methods) are a major motivation for indi-

¹⁸ Benefits of vocational education and training in Europe – for people, organisations and countries Cedefop, 2013

viduals to participate in adult learning. Again the evidence suggests that those with higher level qualifications and greater educational experience are more likely to undertake adult learning. This bias remains for adults even in post-retirement. In most countries it remains an aspiration for adult learning to be seen as a positive leisure choice by most adults. It can be noted that in some countries non-native adults are more likely to participate in adult learning, than the native born population, possibly due to targeted learning activities such as language courses and greater participation in labour market integration measures¹⁹.

☞ **Key Message:**

The rates of return to smart and efficiently organised adult learning can be as high as those for investment in initial education; and should be recognised as a part of a well-balanced overall investment for adult learning.

3.3. Overview of benefits

The benefits of adult learning can be identified at three levels:

- Economic success is created and maintained through availability of the knowledge and skills to maintain the competitiveness of traditional activities while also enabling the innovation and new ways of working for success in a changing global market place. In particular national level activity benefits from and contributes towards the wider European community.
- Adult learning ensures that different sectors and communities are each able to function effectively. In a social context, benefits include the opportunity to be an active citizen exercising political participation on an informed basis, accessing cultural opportunities and able to deal effectively with the mechanics of daily living – including using public services delivered through innovative methods (such as tele-medicine or on-line banking). At an individual level, the benefits of adult learning include being able to establish an appropriate level of income with confidence that new knowledge and skills are being acquired to ensure long term employment, whether with the same or another employer. Equally there are opportunities to grow and develop a career, whether in the same occupation or a new one.

¹⁹ SWD(2012) 373 final Commission Staff Working Document “Education and Training Monitor 2012”

3.4. Overview of costs

Funding policy needs to take into account the costs at three levels:

- system level costs of the adult learning infrastructure e.g. capital costs of adult learning centres, technical infrastructure (particular for new pedagogic approaches based on new technology), quality assurance regimes, mechanisms for identifying and responding to labour market demands and provision of information, advice and guidance services;
- direct costs for learning providers, e.g. cash flow management of different income streams, design and development of learning materials, engagement of employers and individuals and in the delivery of specific adult learning programmes e.g. teaching staff time, learner support time, staff travel and subsistence;
- the full cost to learners and organisations of participating in adult learning which includes fees paid to providers, the value of time spent for learning, study materials, transport, childcare and other costs incurred.

While it may be straightforward to calculate the benefits and costs of adult learning in certain situations, in public policy areas there are many circumstances where the costs and benefits are less tangible and more difficult to quantify in monetary terms. Thus research data may suggest that improving skill levels is associated with improved productivity – which can be measured in monetary terms. For other benefits e.g. health improvements or community cohesion, the benefits are more difficult to quantify. Certain costs may also be incurred without a specific monetary charge. Thus an employer might pay wages for study time – a real monetary cost, while individuals may be willing to study in their own time – a real non-monetary cost.

Strategically it is important to consider the overall level of investment required to achieve the desired level of adult learning activity – both in progressing towards overall ET 2020 targets as well as national economic and social objectives. This should take into account the impact of demographic changes and effects of migration (within a country and from other countries). These include changing requirements to meet, for example, healthcare needs of an ageing population or loss of higher skilled young people to areas with better employment opportunities in growth sectors. Failure to adequately invest in adult learning hinders economic development and restrict enhancement of civil society.

	Private	Public
Monetary	<ul style="list-style-type: none"> • Increased income and wealth • Increased productivity and profitability 	<ul style="list-style-type: none"> • Increased tax revenues • Increased employment • Reduced health costs • Reduced crime
Non-monetary	<ul style="list-style-type: none"> • Improved health status • Greater life satisfaction • Increase in individual well being 	<ul style="list-style-type: none"> • Social capital • Social cohesion • Social trust • Well-functioning democracy • Political stability • Child poverty

Table 1: The Value of Skills, UK Commission on Employment and Skills, Evidence Report 22 (2010)

☞ *Key Message*

Demographic changes and migration at a national and European level will impact on future requirements for adult learning provision.

3.5. Returns on Investment

Given the varied impact of costs and benefits of adult learning, especially over the time, the perceived return on investment for government, employer or individual can vary greatly depending on who pays and how benefits are allocated. The lack of comparable, reliable data at national or European level makes it difficult to produce general quantitative evidence to inform policy making. Cedefop²⁰ analysis found Continuing VET to have positive effects on wages and employment; one example showing that for an average 17 weeks course, the annual returns on salary for continuing VET are around 10% for men and 7% for women. The study also reports Dutch research showed that training of call centre staff resulted in a 10% improvement in productivity. UK research using the Social Return on Investment²¹ technique suggested that a one term course (13 weeks) of adult learning produced an average improvement of £224 in earnings, a £658 improvement in social relationships and £148 of health benefits.

UK research suggests that a 5% increase in the proportion of trained workers leads to a 4% increase in productivity and 1.6% increase in wage levels²². According to an **Italian** study²³ the literature finds wage returns of a least 3% for one week of (private sector) training.

3.6. TWG conclusions

The TWG concluded that public intervention in the adult learning market is justified on a number of grounds. The prime reason is that as part of social policy there is an imperative to improve distribution of wealth and opportunity by removing barriers for those who would benefit from adult learning but lack the initial funding to do so. This may bring very direct benefits such as direct savings on welfare benefits or intangible benefits such as social cohesion and well-being.

There is also a role for the state to underwrite the risk and uncertainty of individual decisions to invest e.g. as part of introducing innovation or economic development strategies. In some countries, private capital markets are not effective in providing funding for adult learning investments which means that individuals or employers lacking sufficient savings are not able

²⁰Cedefop (2013) Benefits of vocational education and training in Europe for people, organisations and countries

²¹ Fujiwara, Daniel “Valuing the impact of adult learning” (2012) NIACE, UK

²²Deardon, Reed and Van Reenen (2000) Who Gains When Workers Train, Institute for Fiscal Studies

²³Brunello, Giorgio, Simona Comi, Daniela Sonedda (2010) Training Subsidies and the Wage Returns to Continuing Vocational Training: Evidence from Italian Regions, IZA Discussion paper No. 4861, Bonn

to access money for learning even though the eventual returns would more than outweigh the investment costs. It may also be the case that public funding releases private funding for other investments including adult learning, for example by enabling more employees to participate, by bringing forward learning investment decisions or by aiming for higher level of qualifications.

However, the TWG also emphasised the concern that public funding might be used to replace private funding that would have taken place anyway – the so called deadweight effect. Setting suitable eligibility criteria can reduce this risk. At a national policy level, macro decisions can be taken which direct investment to those areas which offer the greatest return. European policies and programmes can highlight and support areas where a better balance of investment would maximise the benefits to Europe: particularly in sectors or populations with high labour mobility.

The TWG also identified a number of other potential benefits which warrant further exploration. Investment in new adult learning buildings provides a direct economic stimulus which may have additional benefits of reducing running costs. Similarly the training of staff – whose opportunity cost may be lower during a time of reduced activity – can result in improved quality and cost-effectiveness of delivery of adult learning. Adult learning activity also helps reduce inter-generational barriers and assists in reducing early school leaving by creating positive role models and support for younger learners. Finally, investment in adult learning will also help ensure the availability of skills to support future economic development in addition to addressing current skills gaps and deficiencies.

Overall, the TWG agreed that the policy choices surrounding costs and benefits would in future require a much more sophisticated approach to the evaluation of adult learning policy by governments in addition to the systematic collection of comparable data. Each country will therefore need to reappraise its position for the ET 2020 objectives to be met.

Suggestions for Action:

- **Make greater use of inter-disciplinary research, from the monitoring and evaluation of the impact of investment in adult learning, as a basis for setting funding policies and priorities for adult learning at national and European level.**
- **Promote awareness and use of specific quantitative values of the different economic and social benefits of adult learning in making funding decisions, drawing on national and European studies.**
- **At a national level, review the investment required to achieve the ET2020 adult learning benchmarks.**

4. HOW CAN INVESTMENT IN ADULT LEARNING BE MADE SMARTER?

4.1. Rationale

While the overall level of participation in adult learning is important, both public and private investment should focus on priorities for stable and sustainable development and be orientated on high quality outcomes. Government backed quality assurance systems provide consumer protection as well as ensuring efficient use of investment. Use of cost benefit analysis techniques, recognising both economic and social benefits, can improve the efficiency of investment. Good practice and innovation from short term projects should be sustained through mainstream funding mechanisms. In particular public investment in developing the initial use of new learning methods can bring about their sustainable use. Incentives exist in various ways in different countries to encourage employers and individuals to invest in adult learning.

4.2. Role of government

In addition to providing a clear policy context, government has a responsibility to provide the legal / political framework through which adult learning is organised and funded. This normally includes setting out regulations and inspection frameworks to assure the quality of adult learning provision (national quality marks can provide important consumer protection). Government also provides the legal basis for collective or cost-sharing arrangements such as sector based levy grant schemes or legal entitlement to training leave. These frameworks may be voluntary, enabling those who wish to participate to do so, or mandatory to ensure that everyone participates on an equal basis. Such initiatives should ensure a net benefit, either from improved economic productivity or reduced social costs.

In July 2011, the **Austrian** government produced a National Lifelong Learning Strategy which includes 10 main action areas and 73 measures to reach 53 targets. This strategy reflects the ET2020 priorities and targets. The National Task Force for Lifelong Learning, which consists of representatives from the four federal ministries (education, science, labour and economy) and other key stakeholders (social partners, the states and providers), is responsible for implementation of the Strategy.

Governments also play a critical role in the collection and distribution of funds for adult learning. Collection of money may take place as part of the general taxation regime, but some countries have special taxes or tax allowances for individuals and companies. For example, some countries permit individuals to set the costs of adult learning against their personal income tax. While all countries allow enterprises to include training costs as a normal business expense, some countries have experimented with allowing a multiple of the cost to be allowed. In other countries, businesses must pay an additional payroll related tax – either as part of the national funding of adult learning (especially for the unemployed) or as part of a sector or geographic based grant scheme. Some countries impose Value Added Tax (VAT) on cer-

tain courses which are VAT exempt in others – affecting the price paid by individuals and small companies.

In **Slovenia**, public money is transparently dedicated in a strategic document as National Plan for Adult Education, adopted by Parliament for five or more years and defines: goals for education of adults, priority fields, activities and the global amount of the public money. It is annually implemented through the Annual Plan (adopted by Government). Under the recently adopted National Plan for the period 2013-2020, money is drawn from six ministries (Ministry for Education, Science and Sport, Ministry of Labour Social affairs and Equal Opportunities, Ministry of Health; Ministry for Agriculture and the Environment; Ministry for Internal Affairs; Ministry for Culture) with 49m€ in total budgeted for 2013.

Governments also provide direct funding for adult learning through a number of mechanisms. Most countries have directly funded, publicly owned and run adult learning provider networks. These networks may also include selected private training organisations which fulfil certain “public good” criteria. Public funding is also provided directly to enterprises, community groups and individuals; based on a variety of funding criteria. This may be done as part of a longstanding system for generally supporting adult learning or for specific projects that meet particular criteria reflecting local policy priorities.

Most of the adult learning in **Turkey** is organised and financed by the Ministry. The Ministry (LLL GD) has 1338 institutions for adult learning all over Turkey. These institutions are called Public Education Centres (PECs), Vocational Education Centres (VECs), Tourism Education Centres and Maturation Institutes. Their mission is to provide adult education and vocational education to improve the competences of people. Financing of these institutions is covered centrally by the Ministry Budget. All adult learning activities done under these institutions is free of charge for all participants.

In many countries, projects based on European Funding programmes account for a very high proportion of total public spending on adult learning. Non-cost barriers, such as lack of awareness of learning opportunities and benefits, may be overcome by public interventions even if the costs of learning are eventually born by the individual. Policy choices on funding mechanisms may have a significant impact on the structure of the trainer provider market; affecting the range, size and status of providers – with consequent implications for the workings of the adult learning market. The approach of Government funding can affect the ability of providers to develop new, innovative courses by making available investment funding or allowing sufficient margin in funding rates to enable providers to build up their own investment reserves. Government may also have a role in underwriting the risk or start-up costs of investing in adult learning to support new economic or social development initiatives where the payback may be some time in the future.

In **Cyprus** there exist educational leave schemes for public-sector employees which offer the opportunity of both paid and unpaid leave in order to gain qualifications. The aim of these schemes is to fulfill the government's needs and priorities for the education and training of public-sector employees. In certain other sectors, leave of absence for education and training purposes is stated formally in the collective agreements.

It should also be noted that as a major employer, the public sector is a position to set standards of good practice in the provision of adult learning for employees. In addition, staff trained in the public sector may transfer their skills into the private sector.

In **Romania** the *Romanian Labour Code (Law No. 53/2003)* regulates the training within enterprises and stipulates the obligation of companies to train their personnel every two years (every three years for Small Medium Enterprises SME that have less than 21 employees). Also, the Labour Code regulates vocational training objectives, the types of vocational training, mandatory vocational training programs, obligations of vocational training beneficiaries, types of vocational training contracts and the on-the-job apprenticeship contract. Public resources go mainly to the "compulsory" parts of ALE (adult learning and education): second chance to education (lead by the Ministry of Education), and training of the unemployed people (run by the National Agency for Employment, via the employment offices at regional/county level). In recent years an important source of financing has been the European Social Fund.

4.3. Role of other stakeholders

Employers – in particular private enterprises – are an important stakeholder group. Generally larger organisations are more likely than smaller companies to support adult learning for their own staff and have the capacity to identify and provide adult learning for their staff. Some large companies provide training for their supply chain – to ensure the quality of the inputs they wish to purchase. Small enterprises may need to rely on external support to identify training needs and source solutions. In some countries, chambers or other local employer organisations provide mechanisms for collective organisation and funding of vocational learning.

There are many different national traditions and approaches to the involvement of trade unions in discussions about the funding of adult learning.. In some countries they have a formal role at the national level – e.g. through membership of government-employer-trade union committees that create national frameworks which directly or indirectly include arrangements for the funding of adult learning. In other countries less formal arrangements operate through a variety of different models, such as Works Councils or sector partnerships. In some countries, trade union networks are seen as a mechanism for engaging adults who have not undertaken learning for some time.

The **United Kingdom's** engineering construction sector includes building of power stations, petrochemical plants and oil/gas rigs with a highly mobile workforce. The Engineering Construction Industry Training Board (ECITB) has a governing body including employers, trade unions and adult learning professionals. Income is raised through a combination of a 1.5% payroll levy for "on-site" companies and a 0.15% levy of "off-site" companies. Grants are paid for approved training; in particular for apprenticeships, upskilling, reskilling and graduates. Small employers are exempt from paying levy but may apply for grants.

In **Iceland** most trade unions offer their members a range of continuous and re-education opportunities. It is done in various ways. Some run their own schools, like the School for Electrician and Electronic Studies which is owned by both the Iceland Electricians Trade Association and the Association of Employers in the Electrical and Computer Industries.

Individuals are an important stakeholder group though they may not be directly organised except through intermediary representatives such as trade unions or professional associations. In some countries, individuals already bear a significant responsibility for the funding of their learning. Since individuals may lack money for the initial investment in their learning, they may be unable to access learning which would have a significant rate of return both for them and for their employers and wider community. Increased labour mobility is seen as a reason for individuals being the focus for funding: some employers fear losing well trained staff before the costs of training them have been recovered.

In 2011 in **Hungary**, the balance between funding sources for adult learning is: employers 33%, the state 29%, individuals 24% and the EU 15%. In **Slovakia**, the comparable figures are: employers 30%, the state 18%, individuals 20% and the EU 32%. For both these countries uncertainty about the future of ESF funding is casting a planning shadow over future adult learning plans.

A major stakeholder group to be considered is the training providers themselves, whether in the public sector, the private sector or an internal department within an employer. Training providers will have an understanding not only about the demands and benefits of adult learning but also a good knowledge of the different approaches to teaching; as well as the actual costs of providing adult learning and the impact of different funding approaches.

In **Belgium** for institutions in the French Community network, a financial grant- including a management grant-is allocated on the basis of the number and category of lesson period attended. A deduction is made for registration fees paid by the learners. Training organisations are approved for subsidies by decision of the general official responsible for social advancement education on the advice of the inspection service. In addition, a voucher system and a large network of 25 skill centres co-financed by public employment services, sectors (metal, graphic, building, food and others) are also in place in Wallonia dealing with reskilling and upskilling”

In addition to these stakeholders directly involved with the provision of adult learning there are other stakeholders concerned with the outcomes of adult learning activities. Those concerned with migrants, socially excluded or economically disadvantaged groups will be able to articulate the social benefits of adult learning – including the benefits of active citizenship, social coherence and economic regeneration. Civil society organisations can contribute towards the definition of funding policy, ensure engagement of adults outside mainstream adult learning environments and access in-kind financial support from volunteers. This can be particularly useful in addressing local priorities such as gender gaps or lack of participation by particular groups of low skilled adults.

There are significant differences within individual countries on how funding decisions are taken at a national, regional or local level – particularly with respect to public funding. In some countries, adult learning is a generally a national responsibility with relatively little regional or local responsibility. In other countries adult learning is under the control of regional or local authorities, working within a national policy framework but addressing local economic and social priorities. For some countries tripartite mechanisms exist for government, employers and trade unions to discuss or agree adult learning priorities. Where funding for adult learning is based on European programmes, then local implementation more strongly reflects the European policies.

Key Message

Smart investment in adult learning contributes most effectively when focused on policy priorities; including achievement of national and European benchmarks

European funding programmes play a significant role in resource allocation in certain countries. One of the main programmes is the European Social Fund (ESF) which supports a national programme of activity based on economic and social aims and priorities agreed at a European level. There is also the ERASMUS + programme, which is planned to bring together a range of previous European programmes to support trans-national cooperation and activity. In

addition, there are also adult learning related actions supported as part of other European programmes. Together these programmes support good practice and innovation. Since there is a general requirement of matched funding, they also have a wider influence on public investment. TWG members were particularly concerned that good practice from existing programmes should be sustained through national programmes and that future European investments continue to reinforce achievement of national priorities.

☞ *Key Message*

European funding (in particular European Social Funds and Lifelong Learning Programme/Erasmus +) should be linked directly with mainstream national adult learning funding to assure sustainability.

The **Greek** Lifelong Learning (LLL) strategy is overseen by the General Secretariat for Adult Education (GASE) within the Ministry of Education & Religious Affairs. Adult education activities, including continuing vocational education and training are principally co-funded under the ESF Operational Program (2007-2013),

The TWG identified the use of information and communication technology as a critical development in enabling the development of a new range of learning methods which have enhanced both traditional classroom based teaching but also allowed creation of new teaching approaches. In initial education this has been reflected in major public funding programmes to develop teaching materials, train staff in their use and make available the necessary technology. Examples of the use of technology based methods include “Massive On-line Open Courses” where large number of students can access on-line materials and tutorial support or individual “e-learning programmes” where students can study wherever they have an internet or mobile phone access. Typically the methods use “Open Education Resources” some of which are based on high level courses from leading universities. Typically course creation cost may be much higher but distribution and use costs much lower. Such approaches can improve equity of access, especially in rural areas, as well as helping to ensure greater consistency of quality standards.

☞ *Key Message*

Appropriate use of new adult learning methods improves the efficiency, effectiveness and reach of adult learning provision – generating economies of scale and increased returns on investment.

Under the programme „Glob@Library - Bulgaria” approximately 3000 library staff of over 1600 libraries are being trained to work with computers and Internet delivery of modern library services. This will then enable a further 13 875 adults are being trained to work with a computer and the internet.

4.4. TWG conclusions

The TWG agreed that government has a central role in ensuring that short, medium and long term national priorities are clearly set out – with their implications for adult learning. This includes highlighting both economic and social goals which rely on adults having particular knowledge and skills. In particular, issues that need to be addressed are economic development strategies (innovation, entrepreneurship, knowledge working), demographic changes, migration, active citizenship and social equality. Coordination of policies and funding for adult learning between different public authorities is reported as a challenging issue by most TWG members. Better co-ordination would help ensure that scarce public resources are channelled through mechanisms which are most appropriate for particular target groups and policy objectives.

While the overall level of participation is an important measure, also important is the focusing of investment to reflect overall national priorities. Similarly, while the overall level of adult learning activity is important, the relevance and quality of the adult learning should also be taken into account. Government can provide a framework which enables different actors (including the different parts of the public administration) to focus their investments on the priority policy objectives and target groups they are best placed to support. This should include formal or informal mechanisms for ensuring that all stakeholders are involved in the process for informing investment decisions.

Suggestions for Actions:

- **Adapt funding policies to ensure appropriate levels of support for priority groups. Ensure that investment focuses on the achievement of economic and social policy priorities such as addressing gender gaps, supporting the low skilled and re-engagement of non-learners.**
- **Invest in the development of adult learning staff and infrastructure to make greater use of Open Education Resources and other new learning methods.**

5. WHO SHOULD PAY FOR WHAT IN ADULT LEARNING?

5.1. Rationale

Countries report the need to rebalance the responsibility of funding for adult learning between government, employers, individuals and other stakeholders, such as civil society organisations. Government has an important role to play in the funding of adult learning; specifically for disadvantaged groups who face cost barriers in accessing adult learning opportunities. It also has a role to correct market imperfections which lead to non-optimal allocation of resources. Employers and individuals make investments based on their own perceived costs and benefits which may be constrained by factors such as availability of finance, time horizons and risk. Sharing of costs can bring about a more stable and sustainable funding environment. This can include sharing of costs between employers and individuals as well as co-investment alongside public investment. Involvement of social partnerships and civil society organisations can ensure equity in cost sharing arrangements. Funding from foundations and civil society organisations may also be possible for certain types of adult learning.

5.2. Understanding the costs of adult learning

In considering who should pay for what, it is first necessary to understand the main cost components of adult learning.

5.2.1. Direct delivery costs

These are the costs associated with the actual provision of adult learning programmes. Typically there is the capital cost of the infrastructure (classrooms, workshops and equipment) and current cost for the teachers or the trainers leading the learning process and the training materials used by the students as part of their course work. Capital building costs can require major investments which for public providers may only be possible with special capital grants. Many employers have moved away from owning their own management training centres, relying on hiring rooms in hotels as a more flexible and cost-effective approach. The growth in use of “open educational resources” reflects an understanding that a high capital cost in creating learning materials can be offset by a lower marginal cost per user once they are created. These may be significant when adult learning is only available in certain locations.

5.2.2. Study Time Costs

Time spent for learning during the working day represents a real cost to employers – both in terms of lost wages but also the opportunity cost of not having staff available for job-related tasks. Smaller companies often face the situation that the difficulty of releasing a key staff member is a direct barrier to attendance at a training course. There is evidence that during the recent economic crisis, unlike previous recessions, some employers were investing in training

for staff rather than making them unemployed: reflecting a lower opportunity cost of lost working time. Individuals may also study in their free time, even for vocational subjects.

5.2.3. *Assessment, Validation and Certification Costs*

Public funding is often directed to adult learning leading to formal assessment and certification of learning outcomes. This forms part of a wider quality assurance strategy. Such qualifications may be more valuable to learners than to employers. Indeed some employers (normally wrongly) are concerned that courses leading to externally recognised qualifications make their staff more likely to leave. Since the costs of assessment, validation and certification may represent 10-20% of the cost of the learning, it is a significant, if necessary, cost element. In some countries, there is a right to have prior learning accredited through publicly funded services - this could result in both an encouragement to take further learning but also a subsequent cost reduction by avoiding a need to duplicate prior learning.

5.2.4. *Public Administration Costs*

Where public funding mechanisms are used either to provide public funding or enable cost-sharing between employers, then there is a transaction cost. These costs typically include the costs of an audit and accountability system to ensure proper and efficient use of public money. In addition to the direct costs of learning; process costs of contracting the adult learning activity (whether by open tender or institutional budget setting) financial audit, quality inspection and governance arrangements have also to be paid for.

5.2.5. *Quality Assurance Costs*

Critical for the success of any adult learning system are measures for ensuring the quality of provision at a system level (complementing assessment, validation and certification costs). The TWGs on Quality in Adult Learning and Financing Adult Learning have developed complementary reports. The TWG Quality report includes standards necessary for the assurance good quality, including methods for monitoring and evaluation of performance, staff training and development of high quality pedagogic materials and methods.

<p>In Slovakia a system of certified institutions has been initiated that are able to provide exams for getting partial and full qualifications. The system is worked out with help from the state budget of the Ministry of Education, Science, Research and Sport, however the process of examinations will be supported by the individuals themselves.</p>
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5.2.6. *Accompanying measures*

Accompanying measures is a term for activities which support the engagement and retention of adults in learning. Information, advice and guidance is seen as important in motivating adults to learn and ensuring they select learning appropriate to them (including being informed about future employment prospects or progression into further learning which will support longer term career development). For employers this means understanding how improved skills of existing employees can lead to improved efficiency and market development opportunities. Supporting intermediaries such as trade union representatives or community workers to reach non-learners can also be effective – especially in more disadvantaged and disconnected communities. Childcare, transport and other services may need to be provided to enable certain groups of learners to participate.

5.2.7. *System Development Costs*

Public policy can also drive system development by providing legal frameworks and funding for establishment of new ways of organising adult learning. Promoting levy grant schemes, training associations, skill advisory services and skill observatories can help stimulate new approaches to the organising and delivering of adult learning. Exemplar projects to demonstrate new approaches or good practice may also be useful; though it is important to create the conditions for good practice developed in projects can migrate to mainstream provision.

In Germany, in response to difficulties for small training providers to meet employer needs, there is Federal and Land funding of inter-company vocational training centres (überbetriebliche Berufsbildungsstätten ÜBS) or coherent training structures (Ausbildungsverbünde). ÜBS are operated mainly by organisations, which are either public law bodies (e.g. chambers and guilds) or non-profit-making private law bodies (e.g. trade associations and municipalities).

The size of the publicly funded adult learning sector in Europe means that public decisions can significantly affect the overall adult learning market place. Public investment in development of copyright free learning resources may reduce the cost of training resources. Such resources may also help raise quality standards through higher quality design and production costs being spread across a greater number of users. Social objectives may be alternatively addressed by establishment of learning access points in schools or local libraries, so reducing the cost of transport for learners by avoiding travel to more distance colleges.

5.3. Funding Policy: Alternative Approaches

The variety of ways public funding is spent reflects the complexity of different adult learning objectives and environments. Funds may be open or restricted to certain target groups. Different funding methodologies vary in their effectiveness to reach particular types of adults and support different types of adult learning.

Historically, in many countries the public sector has directly acted as an adult learning provider to ensure availability of a core range of learning opportunities. This has been seen as a natural extension of the school education system. The transparency and accountability of public money being used in this way has become an increasingly important issue – partly as an issue of proper use of public money but also to ensure the efficient operation of the adult learning sector in responding to economic and social needs.

A degree of cost sharing may be operated through the charging of fees for courses. In some cases the fees may be set at a level to fully recover the costs of a particular course while in other cases a standard charge per learning hour is used for more practical purposes. Discounts may be offered for priority groups. The public adult learning sector can act as a “supplier” of last resort to ensure availability of a minimum level of adult learning opportunities to a local population. In some countries, although the state is a significant funder of adult learning, former publicly owned colleges have been allowed to become independent bodies. There has also been a growth in the funding of private or community organisations to deliver adult learning under contract. Given this complexity, public funding policy needs to use different approaches and instruments to ensure the most effective use of money.

In **Latvia**, strengthening the participation of social partners and professional organisations within state policy development and implementation at national, regional and sectoral level is a priority, along with raising the general attractiveness of vocational education. The social dialogue institutionally is arranged through the National Tripartite Sub-Council for Cooperation in Vocational Education and Employment and relevant regional sub-councils.

5.3.1. *Supply versus demand side funding*

One fundamental decision for policy makers is whether to directly fund training providers to supply the adult learning required to meet policy objectives. Directly linking funding to achievement of specific output goals (e.g. number of students enrolled from priority groups, qualifications achieved, progression into employment) can help ensure a focus on public priorities. Demand side funding seeks to place the purchasing power in the hands of the employer or individual learner. This may be through grants, tax rebates or other mechanisms. It may also be simply the use of an administrative measure e.g. vouchers which mean funding is directly linked to the number of students choosing to attend a particular course at a particular provider. While demand side funding can also be focused on public priorities, specific choice of learning and training provider will reflect the perceptions of the learners.

Supply side funding has the advantage of simplicity, with government able to contract for the number of places on the particular course it wants delivered through direct negotiation with a organisation. This approach implies a good knowledge of what training is required, in what quantity, where and from which provider. Managing a network of providers reliant on public subsidy may be subject to organisational challenges, particular where there is a divergence in views about what should be delivered by a particular provider. Interventions to set and maintain quality standards at an organisation level can be directly linked to making public funding available.

Demand side funding has the advantage of using learner preferences about which provider to use and potentially what training to undertake. This implies that market mechanisms are sufficiently effective in ensuring that an individuals or employers purchase decisions are better than a more centrally planned approach. Demand side funding can also allow providers to be more flexible and entrepreneurial in their approach while giving public authorities confidence that public money is being spent smartly.

In **Croatia**, adult education programmes are mostly organized by public training centres, owned and funded by local and regional authorities.

5.3.2. *Provider vs. employer vs. individual*

Providers will be concerned about the quality of their provision from a professional viewpoint. This may include particular ideas of what should be taught and how, as part of a wider education and learning approach. Employers will be concerned about how well the learning fits with organisational needs. Individuals will be concerned about their personal career and life choices. While each can be justified in its own context, it may result in a divergence of interest in the adult learning to be undertaken and paid for.

Thus, for example, a provider will plan to deliver a curriculum which leads to a formal qualification. This qualification may be designed in line with national requirements for a skilled workforce able to meet future needs. However an employer may only be interested in selected

parts of the curriculum and their correct application to a particular working environment. Meeting full assessment and certification requirements represents an unnecessary expense for the employer. For the individual, the learning may be part of a career development plan where transferable qualifications are important.

If only one funding source is applied then it will determine the learning actually undertaken. Public policy might justify partial funding to encourage employers to invest in full qualification courses – the public subsidy being sufficient to pay for the elements of the course judged as not required by the employer. The individual may agree unpaid training leave to study additional topics of particular personal interest. Thus the national priority for a more highly qualified population is addressed without the deadweight of paying for learning that the employer or individual would be willing to pay for themselves.

5.3.3. *Voluntary vs. compulsory*

Allowing individuals and employers the freedom to make their own decisions on the funding of adult learning may result in adequate levels of participation. However there is the risk that the individual decisions will not result in an optimal level of adult learning due to differences in public and private rate of return and short term budget constraints preventing investments which could be positive in the longer term. Public policy can allow voluntary arrangements for individuals and/or employers to set up various financing mechanisms to share the costs of learning. However such arrangements can cause concerns such as employers could “poach” trained staff by other employers by simply offering higher wages or relying on natural labour turnover. Compulsory schemes whereby a defined population have to contribute would overcome this problem. In many countries sectoral training funds operate, with a levy scheme whereby companies have to pay a percentage of their payroll to an appropriate body. The sector body may then either provide courses themselves or give grants to companies carrying out approved training (sector training bodies). Geographic bodies, such as Chambers of Commerce in many countries, may also operate such schemes. Compulsion to undertake adult learning can also be achieved by introducing legal requirements to meet certain standards. This may be an entry requirement into a profession: often known as “Licence to Practice” e.g. to become a public notary or to drive a goods vehicle. It might also be to meet health and safety training standards. The cost of any necessary learning is borne by the individual or their employer, but the enforcement costs are a public responsibility.

In **Sweden**, there is a payroll tax on individuals which is used to fund training for those becoming unemployed.

Skillnets is a state funded, enterprise-led support body dedicated to the promotion and facilitation of training and upskilling as key elements in sustaining **Ireland's** national competitiveness. Skillnets supports and funds networks of enterprises to engage in training under the Training Networks Programme (TNP). These networks are led and managed by the enterprises themselves to design, manage and deliver specific training programmes across a broad

range of industry and service sectors nationwide. Courses usually flexible-modular type courses and are limited to private sector employees and the jobseeker community

5.3.4. *Collective versus individual mechanisms*

Many public policy funding interventions are focused on encouraging individuals or individual employers to participate in adult learning. The principal approach is through social partnerships in which employers and trade unions work together to ensure adults access and benefit from adult learning opportunities. This is mainly driven by vocational priorities but can also include social priorities – especially relating to helping individuals achieve minimum educational standards (basic skills). However there are also examples of collective funding for community groups to offer adult learning which require a partnership with an approved local provider and other community focussed agencies. Infrastructure development projects e.g. to establish joint training associations or specialised training facilities will also require evidence of collective support. Such interventions may be part of wider policies to encourage collective action on adult learning or other public objectives.

Key Message

Social partnerships encourage use of cost sharing mechanisms between employers and individuals by recognising how both monetary and non-monetary costs and benefits can be more equitably shared.

Public intervention is justified on the basis that individuals or employers may have a short term cost barrier to investing in adult learning even though medium and long term benefits would justify the investment in learning. Equally there may be macroeconomic or social benefits that arise over and above the personal benefits that an individual or their employer would perceive. Public policy can overcome such market imperfections and ensure meeting of wider long term policy objectives. Interventions may come from directly funding adult learning provision – on a full or shared cost basis – or by other interventions that encourage stakeholders to invest in adult learning themselves.

In **Portugal**, the cost of the vocational education and training system is covered almost entirely by public funding through contributions from the State Budget (*Orçamento de Estado – OE*), the Social Security Budget (*Orçamento da Segurança Social – OSS*) and the European Social Fund (ESF). To cover active employment and vocational training policies, the OSS systematically sets aside 4.7% of the social security contributions paid by workers and employers, which are topped up by an allocation of VAT receipts from the OE.

As with initial education, there is also an expectation that public funding will support adult learning that enables adults obtain the knowledge and skills necessary enjoying economic and social prosperity. “Second chance” learning opportunities to achieve a level equivalent to that of normal school leaving is generally recognised as a public responsibility (i.e. the state should pay for over coming failings in the school education system). Such interventions are normally orientated towards the start of working life but may also form part of a preparation for retirement policy. In many countries, public policy favours cultural adult education as part of the social values of the country.

☞ ***Key Message***

Governments provide the policy environment, legal frameworks and incentives which encourage and enable employers, individuals and civil society organisations to contribute to the financing of adult learning

Employers are expected to provide job specific adult learning to their employees since this learning will directly contribute to the efficient working of an organisation. Much of this may take place as an integrated part of the working practice with no particular consideration of costs and benefits. Induction and re-training associated with the introduction of new equipment or procedures may be separately recognised. A significant driver of employer training is linked to compliance with legislation on standards e.g. health and safety, food hygiene or consumer protection. Some professions also have mandatory personal development requirements to ensure maintenance of professional standards.

In **Poland**, participation in formal education by individuals is financed primarily by course participants (89.5%) and in some cases by employers (10.5%). For participants in non-formal education, funding was provided by 92% of employers although 42% of the learners also said they contributed. However an employer survey in 2010 reported that approximately half of employers did not train due to a failure to see benefits and a low level of innovation. This reluctance was compounded in part by a lack of funds and information barriers to identifying high quality courses.

Another form of employer training is career development training. In certain countries, social partners at a national, regional, sectoral or organisational level negotiate provision of learning opportunities as part of the overall process of employment terms and conditions. In some countries there is a legal entitlement for individuals to have working time to follow adult learning. This “training leave” may or may not be associated with an entitlement to pay for the costs of learning to be paid for by the learning.

The **UK** introduced a “right to request training” as a method to stimulate thinking about the possibilities of adult learning. A number of cost-sharing approaches, such as Payback Clauses, between employers and employees are used across Europe, recognising that individuals may receive longer term career benefits higher than those of their current employer.

Public funding may be available to meet specific policy objectives such as encouraging recruitment (of young adults or unemployed people) or retraining of existing workers to prevent unemployment. This reflects the public benefits and cost savings which may be achieved over and above the internal cost/benefits to an organisations. In some countries this type of policy is part of the established funding environment. It may also be introduced on an exceptional basis as part of wider economic or social programmes – especially during times of economic challenge. European funding programmes can be a significant source of such funds.

In **Lithuania**, the main financial incentives and instruments for increasing adults’ participation in VET are tax incentives, grant schemes, paid and unpaid training leave and payback clauses. Tax incentives for individuals for both formal and non-formal VET were introduced in 2008. Persons paying income tax may claim these expenses in their annual tax return. Up to 25% of the expenditures for training can be deducted.

Individuals can be expected to fund their own adult learning where they anticipate clear net benefits, whether through personal satisfaction or potential enhancement of their employment opportunities. However, individuals may face budget constraints in paying for the training. Public policy may offer support through lowering the costs of certain types of courses from publicly funded providers or encouraging the availability of loan schemes. Similarly, allowing adult learning costs to be set against personal tax liabilities will also help fund such learning.

In the **Belgium (German speaking community)** access to continuing education and training programmes provided by both public-sector institutions, such as the Public Employment Service is free. However, in the case of seminars and vocational training courses, the companies concerned are expected to carry a share of the costs.

A potentially developing source of funding for adult learning is from independent charitable foundations and trusts as part of a developing (or re-emerging) culture of philanthropy. Such sources provide funding to individuals or organisations to promote adult learning opportunities. This may be in the form of learning bursaries for individuals or grants to adult learning organisations. Examples include major employers who give grants to local institutions or university graduates being asked to fund scholarships for new students. Tax treatment of such donations may influence the extent to which they may develop.

In **Switzerland** providers of non-formal education are mostly private (80%) and individuals are main sources of income. Among the biggest providers of (non-vocational) non formal education, there are several "non-profit" organizations, e.g. the Migros Club Schools which are funded by the Migros Cultural Percentage (based on contributions of the Migros Cooperatives) [Migros is a department store / retail chain].

National data on participation rates, average expenditure on training per employee and number of days training received provide benchmarks. More widespread use of and consistent application of standards for collection of core data would enable comparisons to be made about funding practice in different countries. Better empirical evidence could lead to more informed debate about relative responsibilities and expectations for funding.

5.4. TWG conclusions

TWG members identified that a key issue for funding policy is the establishment of some basic principles for determining who should pay for what – especially with respect to public funding for adult learning. A simple “who benefits, pays” will breakdown if there are market imperfections which distort how costs are paid for and benefits are enjoyed. Adult learning is often associated with a number of external costs and benefits which mean that a decision on the amount of adult learning by an employer or individual may not take into account wider community implications – such as reductions in welfare costs from becoming more highly skilled. The position is further complicated by expectations based on the cultural values of a particular environment which may determine that certain types of learning should be freely available to particular groups. The TWG has therefore provided initial guidance on some key principles to be considered.

Suggestions for Action:

- **Provide an appropriate policy environment, legal frameworks and incentives to encourage and enable employers, individuals and civil society organisations to contribute to the financing of adult learning.**
- **Establish guidelines for the roles of key stakeholders in supporting efficient investment in adult learning – including individuals, social partners and civil society organisations.**
- **Ensure that national and European quality frameworks for adult learning include mechanisms for identifying the full costs and benefits to different stakeholders**

6. HOW SHOULD FUNDING BE PRIORITISED?

6.1. Rationale

The Commission Study on the Financing of Adult Learning²⁴ identifies that after initial education, rates for participation in learning tend to fall rapidly with age, with remaining participation being much higher among those who already have benefited from higher levels of education. This means those who have benefited from previous investment in learning are more likely to access available funding. Those who have not previously participated in adult learning are less likely to do so in the future, irrespective of their need for reskilling or upskilling. These findings reflect Eurostat data and conclusions drawn in a number of other expert studies. The Study also found evidence that costs are more likely to be a direct barrier for women and that men with low skills are likely to need more support to remain in learning. There is a common concern about the problem of “deadweight” where public funding is used to pay for learning that would have been financed privately. Within an overall context raising skill levels across Europe, national, regional and local priorities will determine specific target groups that should be prioritised, in particular for public funding. While cost may be a barrier to participation, under-representation by a particular target group may be due to other factors, such as poor past experience, lack of information about available opportunities or lack of accessible provision. As such, funding may be required for “accompanying measures” to encourage engagement and successful completion by priority groups. These measures include the need for awareness raising, out-reach guidance and affordable childcare. It can also be noted that the presence of adult learners can help raise attainment by young people, reduce early school leaving and promote inter-generational relationships.

6.2. Supporting Specific Priority Groups

European and national lifelong learning strategies promote the concept that learning should form a continuous part of adult life. Within this general framework it is recognised that focus for learning will be different at different stages of an individual's life. Four main priorities are generally recognised for a particular emphasis in funding policy.

6.2.1. Initial Vocational Education and Training (IVET)

Public policy sees a strong commitment to ensuring that individuals receive a solid preparation for working life, which is generally associated with a willingness to invest public funds. This includes providing initial vocational education and training as part of the initial education system or as part of the initial induction into employment. In particular there is an interest in expanding the use of apprenticeships, particularly in southern and east European countries which do not have the same apprenticeship tradition as other parts of Europe. The level

²⁴ Commission Study on “Financing the Adult Learning Sector (2013)

of public funding available is often reduced for employment based provision, on the basis that the learners are being partly productive during their training programme. In some countries, learners may receive a living allowance if they are not in receipt of a wage. Certain countries also provide loans to young adult learners.

Factors affecting policy considerations include whether initial vocational education and training should be treated as an extension of free school education, that individuals have not had an opportunity to accumulate wealth to pay for their training learning and that the time horizon for benefiting from the learning is potentially longer than that for older adults.

In **Luxembourg**, adults who engage in an apprenticeship receive the social minimum wage. The difference between the minimum wage and the apprenticeship fee for youngsters is reimbursed by the state

6.2.2. *Second Chance Learning*

Reducing the number of people lacking basic levels of skills and literacy is a major priority at European and national level. Great value is given to social equity – that all individuals can fulfil their economic and social potential; playing a full and active role in both economic and social life. In part this concern may be recognised as a remedial action required from the failure of the initial education system to equip individuals with the necessary knowledge and skills before they enter the adult world. There is also considerable evidence that disadvantaged groups and those furthest away from mainstream society (including long term unemployed and those with social and health problems and prisoners,) possess lower than average levels of skills. Consequently this area of adult learning is seen as a priority for public funding with a variety of funding mechanisms involving the public, private and third (community) sector.

Finland was not able to provide enough study places for baby boomers, leaving many without a qualification. It was only in the 1990s that expansion of adult education and training and the creation of the competence-based qualifications system offered many of them a chance to complete a vocational qualification.

In the **Czech Republic** only second chance non tertiary initial E&T for adults (mostly aged 18+) and re training courses offered by labour offices for registered job applicants are funded from public resources. Other parts of adult learning incl. initial tertiary E&T of persons aged 26+ and up skilling of qualified adults (at EQF levels 3 or more) are paid by learners or their employers.

While for some adults, poor experience at school is a reason for not learning, others may find that a local school is a convenient and familiar environment. Funding for adults to participate in standard school provision or for the running of additional adult education classes can be cost-effective since the learning can be delivered at marginal cost without the need to invest in

new adult learning infrastructure. There is also evidence that encouragement of inter-generational learning activities brings about important social benefits. It can also help reduce early school leaving and increase attainment rates of young people

6.2.3. *Continuing Vocational Education and Training (CVET)*

After relatively high levels of participation in adult learning during the start of working life, participation tends to decline rapidly with age. This may simply be that learning takes place on a continuous basis – on-the-job coaching and mentoring is regarded by employers as a primary workforce development method – which is not recorded as adult learning. There is an expectation that employers or individuals will fund their own career learning.

Skills Growth Wales assists companies who plan to expand their workforce and require funding for training to make this possible. The scheme aims to assist 200 companies create over 3,000 jobs over a three year period. To be eligible for support companies must demonstrate that they have a credible growth plan which will lead to the creation of employment opportunities within their company. Approved companies can access funding up to an average of £2,500 per individual for training.

Employers are expected to invest in adult learning where they recognise a direct benefit for their organisation. This provision can include general workforce wide programmes or specific career development programmes for selected individuals. Organisations with relatively high staff turnover will have, on average, a shorter time period to recover the costs of training.

Professional organisations provide both services and funding for the **Swiss** VET/PET system, including running their own training centres and promoting specific occupations (VET sector) and professions (PET sector). Under the Federal Vocational and Professional Education and Training Act, companies within a given economic branch contribute to a corresponding VET/PET fund, which is used to cover the cost of VET and PET activities. The Confederation may declare some VET/PET funds to be of general interest and therefore mandatory for all companies within a given economic branch.

Many employers also recognise that collaboration can result in cost savings; this can include joint advisory services on what learning is appropriate and shared course delivery – especially in specialist topics or if high cost training facilities are required.

Cost-sharing schemes between employer and employee help share the burden of the initial investment for the individual and re-assure the employer that the individual will remain to share the benefits of the learning. Employers also report other benefits in terms of motivation and application of learning to the workplace.

Public investment in CVET provision is more likely to be targeted at specific policy priorities – such as skill shortages or economic development priorities. This investment may be in the form of subsidies for specific types of learning activity. It may also be in the form of ensuring that the public adult learning infrastructure is able to offer the appropriate learning opportunities. This can include capital investment in specialist training centres, development of learning and teaching materials and staff development.

In **France** access to continuing vocational training is a legal right. Each region must draw up a contractual regional development plan (CPRDF) through regional committees (CCREFP) including representatives from government, academics, employers and employee organisations. Companies are obliged to pay a training contribution based on their payroll, ranging from 0.55% to 1.5% according to the size of company, to an approved joint collecting body (OPCA) which then allocates funds to approved training activities. Salaried employees with permanent contract have a right to 20 hours of training over 6 years.

Employers are a major motivator for learning. Many larger employers are willing to support low skill learners for direct organisational benefits. Additionally some employers are willing to offer voluntary opportunities for learning on employer premises, recognising that the staff and community benefits have a social value from which they benefit. In many countries, trade union representatives play an important role in encouraging non-learners and those with low skills. For instance in the UK, the Unionlearn organisation of the Trades Union Congress receives significant public funding for delivering basic skill programmes. An advantage of e-learning is to allow those not normally involved with training to access learning opportunities – possibly by agreeing to learn in their own time at a company learning centre or at home

6.2.4. *Migrants*

The free movement of people is a fundamental pillar of the Europe Union. Growing labour mobility reflects a variety of factors – including the economic and social aspirations of individuals leading them to migrate to regions with perceived opportunities and also that the ageing demographic trends in certain regions require them to attract migrants to maintain their economic and social prosperity. Adult learning is seen as an essential part of economic and social integration – not least through language development and building cultural understanding. Public authorities generally view funding adult learning to support migrants (and refugees) as an essential investment. There is a growing expectation that employers recruiting or transferring staff from other countries should also invest in this kind of adult learning.

In **Luxembourg**, The Contrat d'accueil et d'intégration (CAI) is offered to foreign nationals legally residing in Luxembourg who and wish to remain on a long-term basis. The CAI provides a discounted rate for the language courses, a free citizenship training course and orientation day, exemption from one of the mandatory citizenship training courses and acknowledgement towards Luxembourgish nationality.

In **Switzerland** there is a scheme which may become mandatory for 3rd country nationals.

Norway, newly arrived immigrants have the right and obligation to undergo 600 hours of training in the Norwegian language and social orientation. The objective of this training is to empower immigrants for active citizenship, access further training, and increase their employability so as to combat exclusion.

☞ *Key Message*

Funding for adult learning needs to include the costs of the accompanying measures required to overcome barriers to participation by disadvantaged learners as well as support for SMEs without the internal capacity to identify and respond to their organisation's learning needs.

The **Estonian** Non-formal Adult Education Association, a national umbrella organisation of non-formal adult training centres is the manager of the programme to train at least 40,000 people on key competencies for lifelong learning in approximately 45 non-formal adult training centres and folk universities.

☞ *Key Message*

Shared use of the public initial education and vocational education and training infrastructure for adult learning and provision can reduce the costs of adult learning and bring cost savings and other benefits to initial education learners.

In the **Netherlands**, employers are eligible for a reduction in their tax and social insurance contributions to offset the extra costs of training and supervising employees who subsequently obtain a basic qualification and who either had to abandon a training scheme in order to accept their current job or did not have a basic qualification when they started work and were not already receiving training.

6.3. TWG conclusions

The TWG noted that participation in learning rates tends to fall rapidly after completion of initial education. This pattern is true in countries with both higher and lower levels of participation and with respect to both public and employer provision. Those continuing in learning

tend to be those with higher qualifications. The same is also true for pre and post retirement learning. There are many reasons given by adults for not participating in learning of which cost and lack of perceived returns are only two. Other barriers include lack of time, poor accessibility, inconvenient timings, childcare arrangements and poor past experience. Overcoming these barriers may also require funding for information, advice and guidance services, provision of childcare facilities, specialist training of trainers to work with reluctant learners. TWG members reported a general policy priority of improving low participation rates, particularly among those with low skills both for economic and social objectives.

Suggestions for Action

- **Develop a cost-benefit based approach to investment to existing systems for accompanying measures to support participation by those without previous participation in adult learning.**
- **Develop adult learning provision utilising the existing initial education learning infrastructure, alongside other lifelong learning activities.**

7. WHICH FUNDING INSTRUMENT TO USE FOR SPECIFIC INVESTMENTS?

7.1. Rationale

National traditions and context means that there is a wide variation in the use of different funding instruments for particular groups, with sometimes very different results. While there are no absolute success criteria for use of a particular financial instrument, there is growing evidence on the effectiveness of their use in a particular set of circumstances. Developing a better understanding of the impact from use of different instruments can help policy makers consider alternative approaches to the funding of adult learning. In particular a consideration of demand versus supply funding methods, cost sharing instruments and alternative funding sources may assist development of more efficient funding policies. The operational decisions on implementation of a particular funding instrument may have a considerable effect on its accessibility by learners, sustainability for providers and eventual cost-effectiveness for funding authorities.

7.2. Taxonomy of Funding Instruments

Although there are many different funding instruments in use across Europe, the majority of public funding is generally distributed through a limited range of instruments; each of which has potential advantages and disadvantages. The following approaches represent the main types of funding (even if the names are different for different countries).

Formula funding involves setting a standard rate to be paid for the achievement of a specified learning outcome. This outcome may be measured in terms of number of students enrolled, completing or attaining a qualification. Which outcome is used may be a function of the policy objective – pass rate measures may drive up quality for those on the courses but with the consequence that providers might not recruit students less likely to succeed. The level of funding is intended to cover the full costs of providing the training. However the provider has flexibility to choose how to spend the income on different cost elements. The formula can be adjusted to provide a premium for particular factors – such as recognising that certain courses are more expensive to run than others, or to give an incentive to recruit learners from a particular geographic area or socio-economic group. However this flexibility can become complex if too many variables are introduced. Since an average of costs is used, providers facing particular cost challenges (e.g. use of old buildings, reliance on a distributed network of college locations) will find it harder to operate than those operating in more favourable circumstances. The formula helps give a certainty of how much will be paid which is often important for institutional management. The formula may include an expected income from fees paid by learners. However providers may not be concerned about fee collection where the marginal cost of an extra student is below that paid by the funding formula.

In **UK-Northern Ireland**, funding is allocated to colleges using the Funded Learning Unit [FLU] funding model. The FLU funding model has three elements; a College Development Plan (CDP), which set out each college's intended provision, a bi-lateral agreement on the amount and types of provision that will be funded, The FLU Distributive Mechanism, which converts actual and planned provision into standard Funded Learning Units. The basic 'unit of resource' is £3,400 per annum.

Programme funding is used to contract for a range of courses from a provider. This is based on an estimate of the number and type of courses to be offered, with assumptions made about the actual number of learners to be supported. The provider is able to propose the costs anticipated, based on individual circumstances. This enables local circumstances to be more easily recognised. In particular, special provision can be made for exceptional developments e.g. establishment of a new teaching facility or an extensive staff development programme. While there may be penalty clauses for under-performance these may be difficult to enforce in practice.

In **Denmark** adult education centres, labour market training courses and folk high schools are state funded self-governing institutions. The adult vocational training programmes are partly publicly financed. The providers operate within a fixed financial framework (EVE) based on taximeter funding according to the budget and provided by the Ministry of Education (taximeter grant per full-time equivalent participant, a fixed rate per programme). There are different instruments to securing that the fixed financial framework is not exceeded. Once a year, the educational institution has to present and negotiate activity and budget targets with the Ministry, i.e. the framework within which the school may decide which programmes they

want to provide according to the need in the local area. Fees charged to learners represent about 15% of operating costs.

In **Belgium – Flanders**, the People’s High Schools (Volkshogescholen) receive an amount per inhabitant in their operating area, regardless of the evaluation of their work.

Project Funding allows a funding body to contract for an activity which while being focused on delivering learning may also has a number of other dimensions. These could include the need to develop new courses and recruit particular types of learner – possibly requiring co-operation with a range of other organisations. Projects have the advantages of being of a fixed duration and budget which means that once complete there is no expectation that funding will continue (and may not be given if the project does not meet its objectives). Projects therefore can focus on specific objectives outside the normal scope of a provider’s activity. As such they provide a low risk method of experimenting to meet short term challenges. A concern raised with successful projects is how good practice will move to more long term funding. Specialist staff may also move to new jobs if they are not certain their jobs will continue beyond the life of the project. To ensure transparency and equality of bidding opportunity, many projects are part of schemes with long preparation times and heavy administrative burdens to meet.

The Skills Alliance “Energy Saving and Sustainable Construction in the **Baltic Sea Region**” is a Leonardo Programme project, organised by the Hanse Parliament, which is developing three educational packages relating to technologies of energy saving and of resource saving construction for use in five countries. The small companies in the sector do not have the administrative or financial capacity to develop the programmes but will sustain them once they are completed.

Direct Grants are used to provide financial support, often to end users rather than providers of adult learning. These grants give the individual, an employer or other organisation the financial ability to purchase the adult learning of their choice from their preferred provider.. The grant level can be fixed at a level which is enough to encourage the adult learning to take place, without necessarily representing the full cost of the learning. This provides a straight forward opportunity for promoting cost sharing. There is however a concern that direct grants carry a greater risk of deadweight i.e. the public subsidy is used by people who would have paid for the training themselves. Depending on the administrative burden involved, the grant may have to have a minimum size to change behaviour.

In **UK – Scotland** individuals earning less than £22,000 per year and without a degree may be eligible for an Individual Learning Account which provides a grant of up to £200 for approved courses. Each year approximately 60,000 learners receive grants to take courses through the network of over 400 approved learning providers.

Tax incentives are used to lower the cost of paying for adult learning for individuals and enterprises. This allows a free market in adult learning to operate but gives a selective incentive to economically active individuals to invest in learning. For enterprises, adult learning costs are recognised as a normal business expenses. (In the UK this tax relief is thought to represent about £5 billion.) VAT treatment of courses also varies between countries. Where no VAT is charged, this represents an incentive – though in some countries it is said that publicly funded courses are VAT free even though their commercial equivalents are subject to VAT. In countries where a training levy is made on payroll, the tax payable may be reduced if training is undertaken. The tax paid is then re-distributed through public and collective systems.

Levy Grant systems generally involve employers in a particular sector or geographic area paying a “levy” on their payroll costs into a central fund. Grants are then made to companies who carry out approved training. In this way training costs are shared among all employers; helping to address skill shortages particular in sectors with highly a mobile workforce where employers may be unwilling to invest in longer term skills development. Bodies administering the schemes may also provide other services such as forecasting skill requirements, design qualifications and advising employers on their skill needs.

In **France** the FPC system provides for obligatory contributions by employers and targeted grants. The minimum rate is set by law and corresponds to a percentage of the gross annual payroll for all employees in each company: 0.55% (under 10 employees), 1.05% (10 – 19 employees and 1.6 % (over20 employees). Funding is then allocated for approved training based on approved training plans, course and arrangements. The system is operated through 20 government approved organisations

Training Leave enables individuals to take time to attend adult learning of their own choosing. Generally the employer has the discretion to agree or disagree, with a particular proposal though in many countries there is legislation which provides a legal framework setting out general entitlements. This framework may be based on agreements between social partners at national or local level. In some countries, public authorities may offer a training allowance or other financial assistance. Employers may also contribute towards the costs e.g. by paying salary or course fees. During the recent economic crisis there is evidence of increased use of training leave to retain existing staff.

In **Spain**, employed workers are entitled, within their companies, to individual training leaves (PIF - Permisos individuales de formación) of 20 hours per year, to facilitate their qualification through training, without cost to the company they serve. Individual training leaves (PIF) are to make it easier for workers who wish to improve their personal and professional abilities to take training that is recognized by an official diploma. Companies receive a discount on their social security contribution; according to the size of company. During 2011 4,913 companies applied for PIF activity involving 2.98 million people.

Funding Instrument	Advantages	Disadvantages
Funding formula	<ul style="list-style-type: none"> • Simplicity of application • Adjustable to meet policy priorities • Transparency • equity 	<ul style="list-style-type: none"> • complexity if used for multiple types of course • inflexible to local variations • variability in application
Programme funding	<ul style="list-style-type: none"> • provides continuity • facilities system developments • ease of understanding 	<ul style="list-style-type: none"> • inflexibility • standardised coverage • lack of transparency
Project funding	<ul style="list-style-type: none"> • address short term needs • tailored to specialist circumstances • low risk experimentation 	<ul style="list-style-type: none"> • lack of continuity • replication and scalability • delay in starting
Direct grants	<ul style="list-style-type: none"> • explicit intervention • targeting towards end users • encourages cost sharing 	<ul style="list-style-type: none"> • deadweight risk • accountability may be poor
Tax incentives	<ul style="list-style-type: none"> • low cost of administration • automatic matched funding • simplicity for non-professionals 	<ul style="list-style-type: none"> • Only available to tax payers – individuals or organisations • Universal rather than targeted • retrospective
Levy Grant	<ul style="list-style-type: none"> • mobilise employer resources • cost sharing between training and non-training companies • tri-partite governance 	<ul style="list-style-type: none"> • Generally large companies receive levy funding • Potential for ineffective and expensive administrative costs
Training Leave	<ul style="list-style-type: none"> • shared cost between individual and other stakeholders • encourages personal responsibility 	<ul style="list-style-type: none"> • Difficult to implement for smaller organisations • Perceived costly by employers fearing learner leaving
Vouchers/ILA	<ul style="list-style-type: none"> • Targeted at specified individuals • Can be linked to guidance, job search and other supporting activities • Positive motivation for Individuals 	<ul style="list-style-type: none"> • Administrative costs in reaching target group only • Need to be of significant value to motivate
Loans	<ul style="list-style-type: none"> • overcomes short term financial barriers • beneficiary ultimately pays • encourages self-investment in learning 	<ul style="list-style-type: none"> • risk of delayed or non-repayment of loans • discourages those not used to paying for learning • administrative burden

Table 2: TWG Summary of Advantages and Disadvantages of funding instruments

Voucher systems, sometimes called learning accounts, provide targeted individuals with an entitlement to access specified learning activities from a range of approved providers. Vouchers are commonly distributed through an active labour market programme which provides supporting advice and guidance services. Voucher schemes are also used to support individuals to access both non-vocational and vocational learning of their choosing. The ability to select what learning from which providers helps with learner motivation and may encourage matched funding.

The **Italian** CVT system provides for the funding of CVT vouchers for employees by financing training leave, in accordance with the regulation on working hours. It recognises workers' right to lifelong learning by granting specific leave for training activities. These can be chosen independently by the workers or arranged by the companies. The vouchers are assigned by the Regions according to funding allocated by the State.

Loans for learning enable individuals to access adult learning without having the current ability to pay for the learning, but are willing to use later income to repay the loan. Public intervention is made either by direct operation of the loan scheme by the government or by government acting as a guarantor for loans made by private institutions. Loans have a long standing place in the funding of higher education where the rewards for obtaining a degree have been regarded as fairly certain. While the administrative cost of loan schemes may be greater than other funding approaches, the repayment of loans means that additional people can be supported from the same initial level of funds. However there is a need to manage repayment timescales to ensure that cost of interest foregone does not outweigh the savings over traditional grant schemes.

In the **UK-England**, public funding for higher level adult learning – including universities and further education colleges – has been changed from grant funding to loans. Public investment is used to administer the scheme and provide the initial loan pool. Government funding also underwrites a commercially operated adult learning loan scheme.

While one or more of these broad approaches provides the main basis for public funding, other schemes may be used on a tactical basis to address specific policy priorities. This can mean that managers of larger publicly funded adult learning organisations may need to balance income from a number of different funding approaches. Providers may also operate their own schemes, such as allowing payment by instalments during the course to help make course more affordable for individuals.

Even where public courses receive substantial public funding, fees are often charged to individual students – typically ranging from 5€ to 13€ per course hour. Fees may be reduced for certain priority groups such as the low skilled, unemployed or retired persons. In-company courses, based on public courses, may be run on a full cost recovery basis.

☞ **Key Message**

Selective use of a range of funding instruments enables better targeting of resources for particular groups of adult learners, ensuring maximum value for money.

The adoption of effective monitoring and evaluation arrangements to help countries identify which target groups are being reached in what circumstances is important. The results should then inform future developments especially if information can be shared on a transnational basis. Policies addressing economic objectives are likely to have a clear statement of the potential benefits to be achieved by which stakeholders. The value of these benefits can be used to determine the overall investment that is justified. The funding mechanism can then be designed to ensure that the appropriate stakeholders are motivated to undertake the training. The role of public funding may be to overcome the initial cost of investment (e.g. bearing the course creation costs) or create a critical mass of activity to make the training provision sustainable.

☞ **Key Message**

Evaluation and monitoring evidence enables the added value and cost effectiveness of particular funding instruments for specific circumstances to be identified

7.3. TWG conclusions

The TWG noted that each of the above funding instruments has discrete characteristics which mean that they can have a different impact depending on the context of their use, the target audience they are being used for and the policy objectives being addressed. The existing range of funding instruments in a country will shape the way that adult learning takes place. Altering the use of funding instruments will have both a direct impact for the particular situation being addressed but also have unintended consequences – which may be beneficial or not. Countries with higher participation rates have a greater number of funding instruments, suggesting that their diversity ensures a wider range of adult learners are being reached through use of the different instruments.

Supply side funding methods can be used to support development of public or private provision in advance of demand. Demand side funding will require that a latent demand already exists. The justification for public funding will rest on long term economic benefits with the cost of the public intervention being justified by increased tax receipts or reduced costs of active labour market mechanisms. An example at an individual level is the encouragement of adults into learning by offering study loans which are then repaid on an income contingent basis.

Social objectives may require funding mechanisms that translate public benefits to private stakeholders to encourage them to take part in the learning activity. Public funding for migrant training is generally provided to enable initially free learning as a mechanism for supporting social integration (language and culture learning) and economic integration (accreditation of prior learning and vocational skill courses). Migrants – who on average have higher participation in learning rates than the native population – then progress into further learning on the same basis as other members of the community.

A particular issue identified by the TWG, where funding mechanisms are lacking, is in relation to trans-border learning. People living in one country may also work in another country. Although there are some examples of parallel funding agreements on a project basis there is scope for developing cost-sharing mechanisms between public authorities where resources can be pooled to create a single funding mechanism.

Suggestions for Action:

- **At a European level, develop transnational Peer Learning Activities for finance and policy officials from adult learning ministries**
- **Establish European Key Performance Indicators for use in comparing the effectiveness of financial instruments.**
- **National authorities review the capacity of existing financial instruments to fulfil the requirements generated for adult learning by national economic and social policy objectives.**

8. CONCLUSIONS

Adult learning is a key driver for achievement of economic and social goals. Public policy provides a framework for the promotion of adult learning at European, national and local level. Public policy considerations also reflect the ethical principles of economic and social justice which underpin the standards expected by citizens from their society. In particular, ethical factors may influence how specific instruments are used to ensure equality of access and use by individuals from different communities. Legislation underpins the operation of adult learning systems both by directly regulating the market and by underpinning funding mechanisms for both individuals and employers. Public provision addresses public priorities such as social equity and removing that market barriers to efficient adult learning systems arising from a divergence between how costs and benefits arise for different stakeholder groups. While progress towards the ET2020 target of 15% participation is important, it is also important to ensure that right target groups are following the right learning programmes to meet national and regional priorities. A challenge for public authorities is to ensure that the right level of investment is made on the optimal areas of adult learning; both through direct public investment

and encouragement of funding from employers, private individuals themselves and other civil society organisations.

There is a wide range of funding approaches and specific funding instruments in use across Europe. While there is a need for better comparative evidence about the cost-effectiveness of individual instruments, it is clear that a complementary range of instruments will, together, help ensure that the optimal level of investment in adult learning will take place. The stagnation in the number of adults in learning is an indication that key stakeholders must make greater efforts to mobilise adequate levels of investment both in the direct delivery of adult learning but also in the other important components that make up an adult learning system. This may be achieved by smarter and more efficient funding policies which will maximise the effectiveness of investments in adult learning from which part of the public, economic and social system. The TWG would recommend that the following topics should be considered for further examination:

- Development of key measures for reporting on the financing and outcomes of adult learning in both the public and private sector.
- Development of Key Performance Indicators to enable policy makers monitor and evaluate the impact of adult learning investments.
- Establishment of benchmarks to enable policy makers to assess the adequacy of adult learning investments.

9. ANNEXES

9.1. Annex I: Toolkit

The purpose of this toolkit is to provide some practical assistance to help policy makers to review and develop their funding policies for adult learning. An individual country's policy needs to reflect its own goals and priorities as well as the current state of development of adult learning; the existing funding environment and the potential for change among key stakeholders. The tools represent good practice, based on the collective experience of TWG members and other experts. However it is recognised that different countries may prefer to draw on a wider range of information and good practice. Therefore further sources of information and assistance are identified in Annex III.

9.1.1. *Developing Instruments*

The purpose of this section is to highlight the process for selecting and developing a new funding instruments.

9.1.1.1. Policy Goal

In beginning the design of a new funding instrument it is useful to have an overall aim or purpose to be achieved. This can be defined more closely in terms of specific policy objectives, target groups and other factors. In particular it should define how the new instrument will relate to other existing instruments, whether this is to fill a gap, become a replacement or form part of a wider change in how adult learning is to be funded. While many instruments can, through particular ways of using them, fulfil a diverse range of purposes a preliminary analysis (and examination of their use in other countries) will usually indicate what broad type of instrument will be suitable. A specific instrument best suited for a particular situation can then be developed.

9.1.1.2. Determining policy context

When considering the development of a new funding instrument it is important to understand the wider policy context since this will define the impact that the additional adult learning is intended to achieve. This will help determine the main target audience, subject area of learning and any other factors to be considered. Thus if the wider context is to improve the level of employment in a particular economic sector the adult learning activity to be supported is likely to be different to that where the objective is active citizenship. Equally there may be a geographic dimension, based on attracting people to a particular part of the economy or discouraging emigration. These factors are likely to be country specific however increasing consideration needs to be given to the wider European context both in terms of the impact of European policy on national issues and the cross border impact of different national policies. There is

also the opportunity to understand and learn from developments in other European countries. The broader policy context will may also indicate what should be the balance of responsibility between different stakeholders.

9.1.1.3.Determining policy objectives

The clearer the policy objective, the greater is the possibility of maximising the efficiency and effectiveness of the adult funding intervention. The policy objective should focus on what will be achieved as result of the adult learning – not simply in terms of a particular qualification (learning outcome) but how the new learning will be used with what result (impact). There may a number of objectives to be achieved with a particular instrument; such as attracting participation by a particular target group, encouraging progression into further learning or establishing self-sustainability by enabling development of new provision which will continue with non-public funding. Being clear about the objectives enables the definition of indicators and measures which can be used to monitor and evaluate the efficiency and effectiveness of the funding. Linking funding to achievement of the desired objectives, through reliable indicators, is likely to ensure a better use of resources by focussing the attention of those involved. Equally being able to measure that funding is not achieving the desired policy outcomes enables appropriate changes to be made.

Based on the policy context it is possible to define to the desired impact of the adult learning to be supported. This will help define both the learning goal for an individual (or group) and any associated requirements. The goal can then be defined as learning outcomes at an individual level and learning outputs at a group level. Thus if the objective is to help unemployed adults with low skills enter into employment, the funding instrument must both provide the necessary reskilling, but also any necessary support for finding a job and successfully entering employment. Alternatively, a company orientated measure may simply be helping support the costs of delivering priority skills training. In addition to target audience, the priority activities, key actors, and operational protocols should be part of the key elements to be taken into consideration for developing funding instruments.

Figure 1: Template for Development of a Funding Instrument

Key Issue	Scope and Sample Statements
Aim	<ul style="list-style-type: none"> • Provide a general overview of what the policy is to achieve • Provide an indication of how the funding instrument will contribute to the policy <p><i>The policy aims to encourage non-learners to re-engage with adult learning as a basis for developing new pool of knowledge and skills to support economic development. The funding is designed to reduce any cost barriers – including both direct fees and other associated cost – but establish the idea of cost sharing between public and private sources.</i></p>
Policy Context	<ul style="list-style-type: none"> • Main issues against which the adult learning policy has been identified • Key policy factors that need to be taken into account in designing the funding instrument <p><i>Participation in adult learning is declining at a time when economic pressures requires growth in productivity through use of new methods. Delivery of public services requires users to be comfortable with use of new technology based approaches e.g. on-line tax systems, public information services. Research shows that engagement with learning improves both physical and mental well-being.</i></p>
Policy Objectives	<ul style="list-style-type: none"> • Main elements defining the scope of the policy (who, what, why, how many) • Specific success criteria to be used in assessing the success of the policy <p><i>The instrument will support 25,000 non-learners (i.e. out of learning for 3 years) to participate each year. Learning will be linked to a unit or part of publicly recognised qualification, with progression available into a full publicly funded full qualification courses using normal mainstream funding channels. An element of the course will include use of computer based/on-line learning. Individuals or their employers should contribute a sum equal to 10% of the public subsidy.</i></p>
Target Audience	<ul style="list-style-type: none"> • Description of beneficiaries to participate in the scheme – including any priority target groups <p><i>The instrument is aimed at adults with intermediate level qualifications particularly either/or in sectors prioritised under regional economic growth plans or migrants recently arrived from other EU countries. Participation should reflect regional patterns of those with existing intermediary qualifications (low/unskilled should normally be supported under fully funded programmes).</i></p>
Priority Activities	<ul style="list-style-type: none"> • Principal activities that will be eligible for support <p>Funding will be available for pre- and post course advice on local learning opportunities available in the local area. Non-vocational and vocational courses up to 30 hours in length will be supported (courses must be delivered by an approved public provider. Delivery of courses in non-traditional locations is encouraged e.g. local community centres or company premises. Cost of hiring local community facilities will be eligible (along with additional tutor travel costs) but</p>
Key Actors	<ul style="list-style-type: none"> • Which stakeholders should be involved in the operation of the adult learning activities <p>An approved public provider must have overall responsibility for delivery of the approved activities. An advisory group, consisting of local community, employer and trade union representatives, should be established. to approve submission of the funding application, receive</p>
Operational protocols	<ul style="list-style-type: none"> • Proposals for a twelve month budget should be submitted giving details of the scheme and budget, including target numbers for courses, participants, qualifications and progressions into further learning • Quarterly management reports, approved by the Advisory Group, should be submitted giving quantitative information on learning outcomes and progress against project objectives • Payment will be 25% on agreement and then pro rata payment against project objectives measures • Fee income (set at a minimum of 10% of grant) can be retained by the provider for use as approved by the Advisory Group – normally cost recovery or pre-finance of future courses

9.1.1.4. Indicators for successful Funding Policies and Instruments

While adult learning may be undertaken for its own sake, generally it is a mean to achieving particular goals. These goals may be set by government or through a consultation process involving representatives of key stakeholders. Funding policies need to be assessed against the specific policy goals to be achieved.. Where there is a direct relationship with the adult learning undertaken then it is possible to define the indicators and measures to be used in assessing the success of particular funding policies and instruments. It is useful to distinguish between the activities undertaken (e.g. courses run), the outputs (e.g. number of qualifications achieved) and the outcomes (e.g. productivity improvements).

Funding policies can be applied to emphasise particular targets that support the policy goal. For instance, if the policy goal is build social cohesion within a community, then funding may be directed towards the number of adults participating in community based learning. Funding levels may also be set to cover both the direct course delivery costs but also to pay for accompanying measures (such as pre and post course advice or childcare facilities) necessary to achieve participation by particular target groups.

Key performance indicators can be used to highlight the main goals to be achieved, or important steps in achieving the goals. Thus a Key Performance Indicator might be the number of unemployed adults re-entering employment or the fee income from course participants. The use of indicators helps focus funding towards achieving goals.

Where there are a range of funding instruments available, comparisons can be made between their individual performances against overall policy goals. However it can be noted that different instruments may each reach a particular part of the target group. There may also be a wider strategic agenda e.g. encouraging employers and individuals to take more responsibility for funding of adult learning which can be addressed through demand led versus supply led mechanisms.

Central to the use of indicators is ensuring that protocols for data collection are defined and used through the funding system. This ensures that reliable data can be collected for analysis of an individual instrument but also make comparisons between different instruments.

The following preliminary indicators have been developed by the TWG to provide guidance on potential indicators that could be used by policy makers to review the financing of adult learning. Each criterion represents an important issue for the financing of adult learning. For each criterion a number of key questions are presented. Hard indicators provide a direct measure of the impact of current financing. Soft indicators provide a less direct measure but one which may give an insight into performance of the funding policy against the criterion. The current lack of reliable research data on the financing of adult learning suggests that there is an absence of robust evidence on which to make informed judgements. Initiating data collection – even with small samples – will, over time provide indications of trends which if linked to specific financing decisions will enable more informed conclusions to be made by the efficiency and effectiveness of funding policies.

No	Criterion	Key Questions	Indicator	Qualitative / Quantitative Trends
1	Level of Investment	<p>How well does the current level of investment levels meet economic objectives</p> <p><i>Economic policy will give an indication of future labour market requirements; in particular the number of adults requiring what level of skills in the main economic sectors</i></p>	<p>% GDP invested by public sources in economic adult learning</p> <p>% GDP invested by employers</p> <p>% GDP invested by individuals for career development</p> <p>Average spend per employee</p>	<p>% of vacancies that are hard to fill</p> <p>% of employers reporting skill shortages</p> <p>% of employers reporting skills gaps</p> <p>Average days training per employee</p> <p>Skills profile of workforce</p>
		<p>How well does the current investment levels meet social objectives</p> <p><i>Social policy will give an indication of priority social groups to be engaged with training; in particular the socially disadvantaged groups and well being objectives relating to healthy living, active citizenship etc.</i></p>	<p>% GDP invested by public sources in non-vocational adult learning</p> <p>Average spend per head per non-vocational adult learner</p>	<p>participation in non-vocational adult learning</p> <p>average number of days AL per person</p>
2	Efficiency of Investment	<p>What are the range of costs learning outcomes; making allowances for different target groups, subject areas and level</p> <p><i>Adult Learning budgets should contain details of the expected number of participants and expected achievements so that average cost per outcome can be calculated and compared with similar types of provision</i></p>	<p>Average cost of learning outcomes by main subject areas and skill level</p>	<p>Average study hours for a qualification</p> <p>Take-up rates (enrolment versus capacity)</p> <p>Course completion rates</p> <p>Course achievement of qualifications rates</p>
		<p>Do the benefits of adult learning exceed the costs of providing the adult learning activity</p> <p><i>Cost benefit analysis, using actual or estimated value of direct costs and benefits over time can be used to calculate the return on investments. In community setting, local participants can provide indications of the types of benefit produced and a value agreed</i></p>	<p>Net Present Value (NPV) of benefits from AL</p> <p>Wage premiums of more highly skilled adult</p> <p>Gross Value Added by workers with different skill levels</p>	<p>Increased individual earnings from AL qualifications</p> <p>Productivity gains from increases in average skill levels</p> <p>Personal “happiness” measures</p>

No	Criterion	Key Questions	Indicator	Qualitative / Quantitative Trends
3	Effectiveness of Investment	<p>How well does current adult learning provision meet policy objectives</p> <p><i>The success of specific adult learning investment depends on their ability to enable those trained to achieve a particular policy objective; rather than simply counting the number of adults trained policy based performance measures need to be in place to monitor the impact of the adult learning in achieving the policy goal</i></p>	<p>Achievement against quantified policy targets</p> <p>What is the impact of on unemployment rates</p> <p>What is the impact on proportion of economically active learners</p>	<p>Maintained investment in AL programmes by funders</p> <p>Participation rates of primary target audiences</p> <p>Proportion of participants from primary target audience</p>
		<p>How are potential participants directed towards the most appropriate adult learning course to meet their needs and/or aspirations</p> <p><i>Advice and guidance services can help individuals or organisations identify relevant adult learning to meet their specific needs</i></p>	<p>Use of independent quality assured advice and guidance services</p> <p>Providers carry out pre-enrolment checks with individual learners</p>	<p>Individuals with personal learning plans</p> <p>Companies with a training and development plan</p> <p>Availability of guidance on priorities from professional and sector skills bodies</p>
		<p>How does investment in adult learning reflect current and future priorities</p> <p><i>Ever changing economic and social environments means that priorities for adult learning will change over time. It is therefore important to ensure that appropriate governance arrangements are in place to influence funding decisions</i></p>	<p>Skill implications of economic and social priorities are reviewed on an annual basis</p>	<p>National, regional and local structures exist for multi-stakeholder discussions on funding priorities</p>
4	Sustainability of Investment	<p>Are sufficient financial resources available to continue the adult learning activity to meet future demands</p> <p><i>Adult learning relies on the capacity of those funding to continue their financing of the provision. Sustainable funding is achieved when those who receive the benefits from adult learning can "repay" the costs of provision. This may be directly through fees or cost sharing; the public sector can use general or specific tax regulations to transfer benefits into revenue</i></p>	<p>Proportion of costs directly paid by participants</p> <p>Net social value of publicly funded courses</p>	<p>Matched funding from one or more stakeholders</p> <p>Diversified funding sources involved with cost sharing</p> <p>Involvement of volunteers</p>
		<p>What is the relative contribution of principal stakeholder groups towards overall investment in adult learning</p> <p><i>Budget pressures may mean that funding by a particular stakeholder is reduced over time. Different stakeholders may also see their role to fund only particular types of adult learning. Involvement of a range of stakeholders in governance of funding decisions</i></p>	<p>Absolute level of investment by key stakeholder groups</p> <p>Relative share of total spend by key stakeholder groups</p>	<p>Views of social partners, NGOs and other representative groups on the adequacy of funding for adult learning</p>

No	Criterion	Key Questions	Indicator	Qualitative / Quantitative Trends
5.	Scope of funding system	<p>How well do current public funding mechanisms match the range of adult learning policy objectives</p> <p><i>Individual funding instruments will each a particular profile of participants. The complexity of modern social and economic systems means that no single instrument is likely to meet all needs. Therefore a holistic overview is required to ensure that the funding system as a whole meets the full range of demands for maximum efficiency.</i></p>	<p>Profile of adult learning activity funded by each funding mechanism (incl. target audience, type and level of learning)</p> <p>Map of funding opportunities for key target groups – economic and social</p>	<p>Clear parameters for the primary role of public, private, community and individual investment in adult learning</p>
		<p>How effective are individual funding instruments in reaching their target audience</p> <p><i>Specific funding instruments should be efficient and effective in reaching a particular target groups. In particular for public funding, supporting learning that would have taken place anyway is an inefficiency</i></p>	<p>Take up rate among main target group (s)</p> <p>Proportion of users from other target groups also supported</p> <p>% administration overhead cost</p>	<p>Views of key stakeholders</p> <p>Availability of alternative demand and supply led mechanisms</p>
6.	System Development	<p>Is there an adequate investment in the skills of those responsible for the delivery of adult learning</p> <p><i>Continuing professional development is as important for adult learning professionals and volunteer helpers. Provision should be made in adult learning budgets for the funding of both current role specific tasks and personal development</i></p>	<p>What proportion of public funding for adult learning is used for staff development</p> <p>What “trainer training” investment is made by private employers</p>	<p>Adult learning professional qualifications awarded</p> <p>Membership of professional bodies</p> <p>Study leave regulations for adult learning staff</p>
		<p>Is there an adequate investment in the physical infrastructure for the delivery of adult learning</p> <p><i>Adequate learning facilities are required to accommodate different types of learners – including classrooms, libraries and study facilities. These facilities need to be accessible to their target groups (both for vocational and non-vocational learning). New teaching methods may require specialist equipment – including access to on-line opportunities</i></p>	<p>What is the capital (building) spend element of public investment in adult learning</p> <p>What is the spend on IT and other specialist facilities for delivery of adult</p> <p>What is the staff development budget proportion of new adult learning schemes</p>	<p>Industry standards for adult learning classrooms</p> <p>Availability of loan/discount purchase of home IT equipment for study use</p>

No	Criterion	Key Questions	Indicator	Qualitative / Quantitative Trends
6f		<p>Is there an adequate investment in the development of new teaching materials and programmes</p> <p><i>Existing provision needs to be update regularly to ensure content meets current and future needs. New teaching methods have different economies of scale which may require high initial development costs which are best justified by use of programmes by multiple providers</i></p>	<p>What investment is allowed for the updating of existing adult learning programmes</p> <p>What proportion of public investment in adult learning is for development of new programmes</p>	Rate of introduction of new adult learning offers
		<p>Is there an adequate investment in quality assurance systems</p> <p><i>Quality assurance systems help ensure efficient use of public and private investments. They also provide re-assurance to customers to invest in adult learning activity – consumer protection and risk minimisation</i></p>	Proportion of public spend on external and internal quality assurance system	% of publicly funded providers meeting national quality standards

9.1.1.5. Monitoring and Evaluation

Monitoring and evaluation should form a cornerstone for any funding programme. Understanding how a particular funding stream has performed in practice enables better informed decisions about its future use – both for the original purpose and whether it could be used more widely for other adult learning activities. It is important to identify the specific impact that a funding methodology has on the operation of an adult learning scheme versus the overall effectiveness. Thus a poorly designed scheme will not succeed, irrespective of how it is funded. Equally a scheme funded inappropriately may not succeed simply because funding is applied in a way which limits successful. A properly funded scheme ensures that adequate funding is available for the right actions at the correct time; so supporting overall success of the adult learning activity.

Public funding programmes can set out in advance the monitoring information required and the arrangements for its collection. In particular applications for funding can set in advance anticipated numbers, costs, timings and results. A reporting schedule enables public authorities to monitor if implementation proceeds as planned, with an opportunity to agree revised deadlines or impose sanctions to encourage improved performance. It is also possible to include arrangements for withholding final payments – or re-claiming money already advanced – where actual performance falls short. The performance targets may reflect both numbers and quality of performance e.g. completion rates and pass rates. Targets can be set against benchmarks derived from good performance. Baseline measures can be used to assess progress towards achievement of targets and goals. Compliance with quality frameworks may also form part of funding contracts.

Funding programmes requiring partnership between providers and local stakeholders (e.g. employers, community groups, and trade unions) can also bring wider benefits through a better understanding of adult learning needs and demands. Routing public funding through individuals e.g. by grants, vouchers or tax incentives may have an important motivational effect – and a better appreciation of the support provided by government.

The results of monitoring and evaluation need to be linked to the overall funding process. There should therefore be clear reporting lines where account can be taken of evaluation results and conclusions drawn to inform future funding policy decisions and practice. As part of this process there should be an opportunity for relevant stakeholders to be consulted. While particular stakeholder groups will have individual concerns, it is also helpful to use a multi-stakeholder mechanism where opportunities for cost-sharing can be discussed and agreed.

9.2. Annex II: Glossary of Terms

These definitions are provided solely to assist in the completion of this information gathering questionnaire. Where it is appropriate to use an alternative definition to represent your country, please give a short description of how the term is used.

Key Term	Definition
Adult Learning	Adult learning is covering the entire range of formal, non-formal and informal learning activities, general and vocational, undertaken by adults after leaving initial education and training (Council Resolution on a renewed European agenda for adult learning (2011/C 372/01).
Active Citizenship	Individuals participate in a wide range of social and community activities e.g. voting at elections, carrying out voluntary work and contributing to public debates
Baseline	A measure of an important characteristics at the start of a process, which can then be used to measure progress
Benchmark	A standard for comparison taking from similar adult learning activities
Conditionality	Ensuring that use of funds meets certain requirements e.g. activities initially funded under European programmes are eligible for continuation support under national funding programmes
Cost Share	The cost of an activity is divided between a number of sources e.g. state, employer and individuals all paying part of the costs of running a course
Cost-sharing mechanisms	Method or source through which funding of adult learning is made available. Cost-sharing mechanisms can take a form of collective investment (where employers and/or employees share the costs) and public-private cost-sharing (where government and employers and/or individuals share the costs). The regulatory instruments (such as training leave, payback clauses, see below) may complement the financing mechanisms.

Key Term	Definition
Educational/training leave	Regulatory instrument setting the conditions under which employees can be granted temporary leave from work for learning purposes and securing equitable access to learning. The following two types of training leave may be distinguished: <ul style="list-style-type: none"> • Paid training leave which entitles employees to maintain her/his salary in its entirety or in part, or in some cases compensates it in the form of grants from public or social partner funds. • Unpaid training leave in which the salary is not paid during the training period, but an employee has the right to return to his/her employment when longer periods of absence are granted, e.g. career breaks.
Indicator	A measure that helps understand where we are, where we are going and how far we are from a goal
Infrastructure	The people, physical resources and systems involved in the delivery of adult learning
In-kind Contribution	Non-financial made by e.g. the giving of time, use of equipment and facilities that represent a financial value towards the costs of an activity
Legal or Mandatory	Required by law or public regulation
Matched Funding	Funding given in direct proportion to funding from another source e.g. an employer receiving a government grant of 25% of the cost of providing basic skill training to its workers
Open Education Resources	Copyright free education and training materials made available for use by individuals and education and training providers; including computer based materials
Payback clause	Legal or contractual regulation concerning the repayment of training costs, if the employee decides voluntarily to discontinue the employment relationship with the employer who invested in their training. The following two types of payback clauses may be distinguished: <ul style="list-style-type: none"> • The payback clauses for individuals, where employees reimburse all or part of the training expenses to their employer • The payback clauses for future (next) employers, where the latter, hiring new employee, reimburse all or part of the previous employer's expenses for the employee's training.
Reskilling	Providing individuals with new skills to enable them to carry out different types of work
Social Inclusion	Participation by individuals and groups in the full social environment of their community
Social Partnerships	Representative groups involving a range of employer, trade union, government and civil society representatives to discuss and agree on issues of common interest
Saving scheme	Instrument for promoting individual saving for future training costs. The account holder is required to set aside money (more or less) regularly over time in a savings account. Such individual savings are matched by contributions from the State budget and/or employers.

Key Term	Definition
Supply-side funding	Supply-side funding usually refers to direct funding of educational and training providers to cover the costs of inputs such as human and material resources.
Tax incentive	Taxation rule allocating financial benefits to taxpayers who participate in learning. The following tax incentives may be distinguished: <ul style="list-style-type: none"> • Tax allowances – allowing deduction from the gross income to arrive at taxable income (i.e. tax base), for individuals and legal entities • Tax credits – allowing deduction from tax liability (i.e. tax due or tax payment), for individuals and legal entities.
Training fund	“A stock or flow of financing outside normal government budgetary channels dedicated to developing productive work skills”. It is sourced usually from levy on company payroll. Training funds may be set up at national level (with tripartite governance) or sectoral level (with bipartite governance, based on social partner agreements).
Up-skilling	Providing individuals with additional skills at a higher level to help improve performance in their current type of work
Voucher	Coupon of certain monetary value directed mainly to individuals but also companies enabling them to access adult learning services and to choose training provider and/or content of services, timing, etc. Co-financing from the beneficiary may be required.

9.3. Annex III: References to further sources of information

9.3.1. *European Policy*

- Commission Communication “Rethinking Education: Investing in Skills for better socio-economic outcomes” COM(2012) 669 final
http://ec.europa.eu/education/news/rethinking/com669_en.pdf
- Commission Staff Working Document Vocational Education and training for better skills, growth and jobs SWD(2012) 375 final
http://ec.europa.eu/education/news/rethinking/sw375_en.pdf

9.3.2. *Description of National Adult Learning Systems*

- Eurypedia - The European Encyclopedia on National Education Systems
http://eacea.ec.europa.eu/education/eurydice/eurypedia_en.php
- ReferNET – VET in Europe Country Reports
<http://www.cedefop.europa.eu/EN/Information-services/vet-in-europe-country-reports.aspx> Technical Description of Funding Instruments and their use
- Cedefop (2012) Training leave http://www.cedefop.europa.eu/EN/Files/5528_en.pdf

- Cedefop (2012) Payback clauses in Europe: supporting company investment in training
http://www.cedefop.europa.eu/EN/Files/5523_en.pdf
- Cedefop (2012) Loans for vocational education and training in Europe
http://www.cedefop.europa.eu/EN/Files/5520_en.pdf
- Cedefop (2009 a) Using tax incentives to promote education and training
http://www.cedefop.europa.eu/EN/Files/5180_en.pdf
- Cedefop (2009b) Individual learning accounts
http://www.cedefop.europa.eu/EN/Files/5192_en.pdf
- Cedefop 2008 Sectoral training funds in Europe
http://www.cedefop.europa.eu/EN/Files/5189_en.pdf
- Developing the Adult Learning Sector, Report EAC Contract 2012 -0073 (in preparation)

9.3.3. *Assessing the Value of Adult Learning*

- Cedefop (2013) Benefits of vocational education and training in Europe for people, organisations and countries http://www.cedefop.europa.eu/EN/Files/4121_en.pdf
- Cedefop (2011a). *The economic benefits of VET for individuals* - Cedefop research paper; No 11.
http://www.cedefop.europa.eu/EN/Files/5511_en.pdf.
- Cedefop (2011b). *Benefits of vocational education and training in Europe for people, organisations and countries* - Cedefop research paper; No 10.
http://www.cedefop.europa.eu/EN/Files/5510_en.pdf.
- Cedefop (2011c). *The anatomy of the wider benefits of VET in the workplace* - Cedefop research paper No 12. http://www.cedefop.europa.eu/EN/Files/5512_en.pdf
- Cedefop (2011d). *The impact of vocational education and training on company performance*. Luxembourg: Publications Office. Cedefop research paper; No 19.
www.cedefop.europa.eu/EN/Files/5519_en.pdf
- Cedefop (2011e). *Vocational education and training is good for you: the social benefits of VET for individuals* – Cedefop research paper; No 17.
http://www.cedefop.europa.eu/EN/Files/5517_en.pdf
- ENEEE (2013) Analytical Report No. 15 “The Financing of Adult Learning”
<http://www.eenee.de>
- NIACE (2012) “Valuing the impact of adult learning” Daniel Fujiwara
http://shop.niace.org.uk/media/catalog/product/v/a/valuing_the_impact_web_final.pdf

- The SROI Network (2012) “A Guide to the Social Return on Investment”
http://www.thesroinetwork.org/publications/doc_details/241-a-guide-to-social-return-on-investment-2012
- OECD (2013) Education at a Glance 2013: OECD indicators
[http://www.oecd.org/edu/eag2013%20\(eng\)-FINAL%2020%20June%202013.pdf](http://www.oecd.org/edu/eag2013%20(eng)-FINAL%2020%20June%202013.pdf)
- UK Commission for Employment and Skills Evidence Report 22 “The Value of Skills: An Evidence Review”
<http://www.ukces.org.uk/assets/ukces/docs/publications/evidence-report-22-the-value-of-skills-an-evidence-review.pdf>

9.3.4. Developing Policy for Using New Adult Learning Methods

- Commonwealth of Learning “A Government Policy Development Template to progress effective implementation of Open Educational Resources”
<http://www.col.org>
- UNESCO Web portal to information, policies, resources and examples of use of Open Education Resources
<http://www.unesco.org/new/en/communication-and-information/access-to-knowledge/open-educational-resources/>

9.3.5. Principal Data used in the preparation of the Country Fiches and as sources for statistical background information

Eurostat tables:

The Eurostat database service can be accessed at: <http://epp.eurostat.ec.europa.eu>

- EU Population: Table tps0001
- Employment Rate: Table tsdec420
- GDP per capita (PPS): Table tec00114
- Crude net migration (with adjustment): Table tsdde230
- Current Old Age Dependency Rates: Table tsdde510
- Forecast Old Age Dependency Rate: Table tsdde511
- Unemployment rate: Table tsdec450
- Long Term Unemployment Rate: Table tsdc330
- Employment rate by highest level of qualification: Table tsdec 430

- Unemployment rate of population by level of education: Table tps00066
- Persons having completed at least upper secondary education: Table tps00065
- Persons with lower level education attainment (25-64): Table tsdc430
- Persons with lower secondary education (15-64): Table edat_lfse_05
- Persons with upper secondary education (15-64): Table edat_lfse_06
- Persons with tertiary education (15-64): Table edat_lfse_07
- Persons with upper secondary or tertiary education (15-64): Table edat_lfse_07
- Early leavers from education and training: Table tsdsc410
- EU2020 target: Early leavers from education and training Table t2020_40
- EU2020 target: Tertiary educational attainment: Table t2020_41
- Total public expenditure on education (PPS): Table tps00158
- Total private expenditure on education (%GDP): Table tps00068
- Total public expenditure on education (%GDP): Table tpsdc510
- Lifelong Learning Participation (%25-64): Table tsdc410
- Public expenditure on labour market measures (training): Table tps00077
- Participation in labour market measures (training): Table tps00079

PIAAC:

- European Commission: The Survey of Adult Skills (PIAAC): Implications for education and training policies in Europe
- OECD Skills Outlook 2013: First Results from the Survey of Adult Skills
- OECD Country Notes from AT, BE, DE, ES, FR, IT, NE, NO, SE, UK