International
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Financing life-long learning for the future of work

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EXECUTIVE SUMMARY

Rethinking lifelong learning is essential in the context of the ongoing changes

The frontloading of skills through initial training for a single lifetime qualification is no longer sufficient or effective and is increasingly being challenged in the context of rapidly changing skill needs. Education and training systems of the future need to be flexible and prepare individuals to learn continuously over their life. Recognising the importance of lifelong learning (LLL), the SDGs include a commitment to "Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all" (Goal 4) and the Education 2030 Framework for Action has called on countries to provide 'lifelong learning opportunities for youth and adults that encompass formal, non-formal and informal learning' (UN 2015).

But financing of education, training and lifelong learning remains inadequate

Despite this emphasis, implementation remains uneven between and within countries, and participation by the low-skilled in particular is low, even in the best performing G20 countries. Education and training systems are becoming increasingly decentralised, demand driven and reliant on cost sharing, and whilst there is evidence of a slight overall increase in funding to education as a whole, there are relatively low levels of funding for adult learning and education. There is also evidence of reduced levels of formal training offered in enterprises. Some estimates suggest that to achieve the targets agreed for SDG4, between 2015 and 2030, low- and middle-income countries will need to increase spending on education from the current US$1.2 trillion per year to US$3 trillion, requiring an annual rate of growth in public education spending of 7 percent (UNESCO 2018).

Options for financing lifelong learning

To provide life-long learning opportunities for all workers, increased level of financial support is required along with the institutional "paradigm shifts" (the focus of the current work of the G20 Employment Working Group). A wide range of options could be considered, which include:

- Increasing public revenues, and allocating more of these additional revenues to education to meet, or exceed, international benchmarks and prioritize spending on marginalized groups.
- Revising the structure of national accounts so that education and training is counted as consumption investment in order to create fiscal space for greater investment.
- Progressively enlarging and broadening the tax base to enable increased spending on education and to meet the financing gap.
- Reducing exemptions and fighting tax evasion by domestic and international companies.
- Considering the introduction of employer training levies or CSR levies to increase the amount of funds available for education and training.
- Considering the use of innovative mechanisms such as social and development impact bonds and global solidarity levies to increase the fiscal space for investments in LLL.
- Using financial incentives to encourage training participation and steer training towards the development of in-demand skills;
- Strengthening social protection measures and active labour market policies that improve access to LLL opportunities for all, including the disadvantaged groups, and act as a "buffer" to help displaced workers manage their transitions and enterprises adjust to change whilst avoiding high social costs.

IMPORTANCE OF LIFELONG LEARNING FOR THE FUTURE OF WORK

Whilst the concept of Lifelong Learning (LLL) was developed by UNESCO and the OECD in the 1970s, it returned to the skills policy agenda in the 1990s when governments recognised the 'front-end' model of education and training was increasingly unsuited to modern economies. Whilst the value of initial training should not be discounted, the frontloading of skills through education and training for a single lifetime qualification is not sufficient, education and training systems of the future need to be flexible and prepare individuals to learn continuously over their life (ILO, 2018).

The concept of LLL has evolved to be understood today as covering all education and training during a lifetime, including both initial education and training and adult learning. It is considered 'lifelong' but also 'lifewide', covering learning in institutions, families, communities and workplaces. It is also considered 'life-deep', assuming the ongoing and active assimilation and mobilisation of knowledge (Bélanger, 2016).

The G20 Training Strategy and the G20 Skills Strategy acknowledge that a life cycle perspective on skills development involves an ongoing process of building, maintaining and improving skills throughout life. They also recognise that skills build upon one another and that foundation skills such as literacy and numeracy, and the ability to 'learn to learn' are essential for the acquisition of further skills and competencies later in life (ILO, 2011; OECD, 2015a).

Consequently, as labour markets and the demand for skills evolves, a comprehensive people-centred and rights-based approach to LLL should help workers adjust to change, preventing the high social costs of the complex and disruptive changes that lie ahead and maximising their positive effects. As such, concrete steps towards achieving a right for all to access formal and non-formal learning throughout their lives should be put on the agenda (UN 1999).

While countries have placed considerable emphasis on lifelong learning, including most recently in the framework of the Sustainable Development Goals, there is no real agreement on what exactly lifelong learning means and interpretations of lifelong learning vary widely around the world (UNESCO 2016a). Indeed, LLL remains a contested concept. According to Bengtsson, the concept of LLL remains vague and without a coherent implementation strategy (Bengtsson, 2013). LLL is also perceived by some as a 'Nordic' and 'Western' concept imposed on the South which has a stronger tradition of 'adult education' (Torres 2004).

Other critiques see LLL as enabling the state to withdraw from the education process, and the field of adult education in particular, shifting responsibility to individuals (Lovren & Popovic, 2018). In summary, iImplementation of LLL is considered weak, uneven and often without strong commitment (Bengtsson, 2013).

However, recognising the importance of LLL, the Education 2030 Framework for Action has called on countries to provide 'lifelong learning opportunities for youth and adults that encompass formal, non-formal and informal learning'. (UNESCO, 2016). The 2030 Agenda for Sustainable Development has recognised this and highlighted the importance of adult learning in particular as an actionable agenda to implement lifelong learning (UNESCO, 2016).

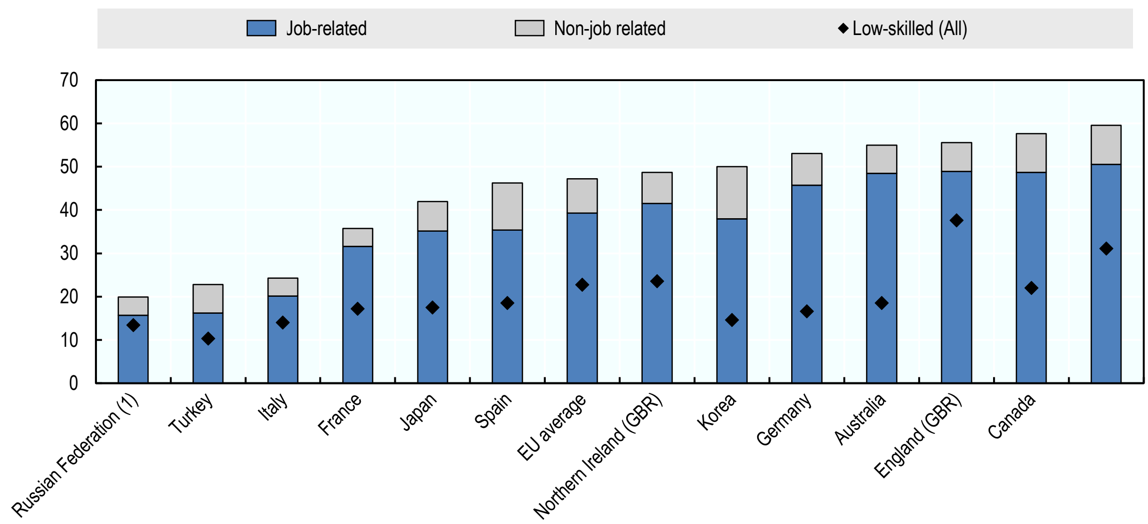
Although people have become more highly educated in recent decades, returns in terms of improved skills proficiency have been lower than expected. Whilst longitudinal data on skill levels is sparse and not fully comparable, evidence on literacy from the comparison of the International Adult Learning Survey (IALS) from 1994 – 1998, and the 2012 PIAAC Survey of Adult Skills, suggests stable to modest declines in skill levels in the G20 countries covered by both surveys (OECD, 2015b).

This disconnect between the gradual expansion of educational attainment and the lower than expected improvement to skills proficiency suggests that raising the educational attainment of the population alone is not enough.

More emphasis must be put on improving the quality of education and training systems, as well as maintaining and updating skills among adults to avoid skills obsolescence and depreciation.

Despite its importance, adult learning participation remains limited in many G20 countries, particularly for the low-skilled (Figure 1). Other groups under-represented in training include workers in SMEs and own account workers (notably self-employed workers without employees).

Figure 1. Incidence of training among adults, by skill level



Note: Percentage of adults who participated in adult education and training during year prior to the survey. EU average refers to the unweighted average of training incidence in the 19 EU countries covered by the Survey of Adult Skills PIAAC.
Source: Survey of Adult Skills (PIAAC), 2012, 2015.

Access to workplace training also remains highly dependent on the type of employment contract in place with almost 50% of employees on permanent contracts in the EC receiving training compared to 32% of employees with fixed contracts and 19% of self-employed (EC, 2016). This illustrates the fact that those who need access to learning opportunities the most are often those who have the least access to it.

Thus, a paradigm shift is still needed: countries can no longer rely solely on formal education to help individuals develop the right mix of skills for success in work and life because a lifelong effort is needed to continuously raise the skills of the working population.

In this context, Adult Learning and Education (ALE), Work Based Learning (WBL) and Active Labour Market Programs (ALMPs) have an especially crucial role to play in providing non-formal and informal learning, elements of LLL systems which are relatively underdeveloped compared with formal education and training.

CURRENT FUNDING MECHANISMS AND FINANCIAL INCENTIVES FOR LIFELONG LEARNING

The majority of funds that finance public education and training systems are provided by domestic resources and this will continue to be so as national governments are the main custodians of efforts to realise SDG4 which aims to ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.

Allocating sufficient domestic resources to the education and training system can yield important benefits, not only in terms of educational outcomes, but also as a driver to meet all the SDGs. Investments in education and training have a multiplying force and positively affect economic growth, prosperity and peace. These affects include:

- Enhancing national economic development:

  If all students in low-income countries left school with basic reading skills, 171 million people could be lifted out of poverty – the equivalent of a 12% drop in global poverty (UNESCO 2012).

- Equipping the next generation with the competencies of the 21st century:

  Despite great progress made in expanding access to education, 264 million children and young people today are still not able to access education, and 617 million children and adolescents worldwide are at school but are far from achieving minimum proficiency levels in reading and mathematics (UIS 2017). The rapid transformation of globally linked economies is altering the jobs market. Education and training institutions struggle to update curriculum and programs to meet labour market needs and employers continue to report skill shortages. Continuing investment in TVET and skills development is an important strategy to reduce the mismatch between the supply and demand of skills (ILO 2017a).

- Capitalizing on demographic changes:

  Africa, for example, will be home to a billion young people by 2050. Financing will need to increase in order to provide education for this youth bulge and capitalize population changes into economic prosperity and social cohesion (International Commission on Financing Global Education 2016).

- Promoting peace and security:

  Higher levels of schooling within a country can significantly cut the risk of conflict, but equity matters – unequal access to education can double the possibility of conflict. Youth without an education can be 9 times more likely to be recruited by groups with a violent and antisocial agenda (UNESCO 2016).

Public education expenditure was 14.1% of total public expenditure in 2014, and in 2015, the median global public education expenditure was just 4.7% of gross domestic product (GDP) (International Commission on Financing Global Education 2016). To achieve SDG4, between 2015 and 2030, low- and middle-income countries will need to increase spending on education from the current US$1.2 trillion per year to US$3 trillion, requiring an annual rate of growth in public education spending of 7 percent (UNESCO 2016).

Education and training systems have been observed as becoming increasingly decentralised, demand driven and reliant on cost sharing (OECD, 2017). Whilst there is evidence of a slight overall increase in funding to education as a whole (UNESCO, 2016), there are relatively low levels of funding for adult learning and education. Forty-two percent of countries spend less than 1% of their public education budgets on ALE (UNESCO, 2016), and there is evidence of reduced levels of formal training offered in enterprises (World Bank 2017).

Given the need to increase the participation of certain groups in education and training (including adults, the self-employed, women and youth), financing mechanisms are increasingly seen as an important policy tool to drive participation as well as improve the alignment between skills demand and supply.

The literature indicates trends towards greater diversification of funding sources (including cost sharing and training levies), budgeting public education and training centres through objective funding formulas, encouraging more and higher quality enterprise training, developing private training markets, increasing reliance on private education and training providers and establishing independent national training funds (Ziderman, 2016). The excessive reliance on private education and training markets is not without risk however with greater attention required to quality assurance and the regulation of private education and training institutions. Ultimately, the right to primary and secondary education is a government responsibility.

While publicly financed education is mainly directed towards children and young adults not yet in employment, it also needs to focus on workers and jobseekers to improve their employability and prepare them for transitions between jobs in increasingly volatile labour markets (ILO 2018).

Many G20 governments have been using financial incentives (such as subsidies, tax incentives and subsidised loans) to encourage individuals and employers to invest in more education and training. However, they can also be used to steer the provision and acquisition of education and training towards areas of skills shortage.

A recent study by OECD (OECD, 2017d) observed that financial incentives are already used to a greater extent in non-EU countries like Australia, Canada and the United States, where governments are more reliant on the market to deliver education and training outcomes. If more countries move to rely on market mechanisms for allocating resources, it is likely that financial incentives will become increasingly important.

Financial incentives for steering education and training decisions can be targeted at institutions, individuals, or employers, but the choice of which group to focus on requires a careful diagnosis of the problem.

Financial incentives for institutions

As the provision of education and training is heavily subsidised in most G20 countries, funding agreements for post-compulsory education and training institutions are commonly used to steer the mix of provision in favour of subjects in demand or of strategic importance. Examples include:

- Governments targeting public subsidies at particular courses only, such as the case to encourage participation in STEM fields;
- Governments varying public subsidies by field of study. In Australia, for example, states such as Queensland have used variations in subsidy rates for TVET provision as a way to steer market forces in strategic directions. “Priority One” qualifications are those which lead to occupations deemed to be critical priorities, and the cost of training for apprentices and trainees in these qualifications is 100% subsidised. By contrast, “Priority Two” (not deemed critical but considered

as high priorities) and “Priority Three” (not deemed critical but considered as medium priorities) are 87.5% and 75% subsidised, respectively.

In many countries, arbitrary and ad hoc institutional core funding arrangements are in place for public education and training institutions. Reforms that encourage improved performance include moves towards objective funding formula based on different criteria (including inputs, outputs, labour market outcomes and quality requirements) and the use of service contracts and in some cases competitive bidding processes (Ziderman, 2016). These changes to funding models for post-compulsory public education and training institutions can help provide an appropriate mix of regulation and incentives to ensure the institutions our able to effectively participate in more competitive training markets likely to emerge as lifelong learning systems become more established.

Financial incentives for individuals

Financial incentives can also be used to steer individuals to acquire certain types of skills. Common approaches include scholarships, grants, bursaries, allowances, vouchers, training cheques and credits. These are the most direct and flexible financial incentives for steering education and training decisions and can be targeted at various groups:

- Students participating in initial education: many countries have scholarship programmes that provide incentives for students to take up certain courses. A large number of these programmes also focus on STEM courses but also target subjects for which there is unmet labour market demand.
- The employed: subsidies for training existing employees are most often paid directly to employers since they are best placed to understand their skills needs. However, certain “retention and advancement” programmes target low-skilled workers who are less likely to benefit from employer-sponsored training, and aim to increase their chances of retaining their existing job and/or moving to a higher quality one. In Germany, for example, workers without qualifications and workers who have spent at least four years in a job unrelated to their initial training may receive funds from the government to retrain in an area with good labour market prospects.
- The unemployed/inactive: labour market training plays a critical role in matching labour demand and supply by ensuring that the unemployed/inactive are given the skills that are needed by employers.

Individual time/savings/learning accounts are another instrument for governments to encourage training participation. These allow individuals to save up time or money which they can subsequently use for training purposes. In some cases, countries have built in mechanisms to steer training choices towards skills in high demand (OECD, 2017c). In France, time saved through the Compte Personnel de Formation (Individual Training Account) can be used to take up a list of training courses selected by the Regional Councils, the social partners and the professional associations, which often reflect foreseeable economic needs. The successful Scottish individual learning account ILA 200 scheme is directed towards low income individuals and provides up to £200 annually towards tuition fees for a wide range of courses that need not lead to a formal qualification (Ziderman, 2016).

Financial incentives for employers

Whilst employer participation in training is affected by various factors including firm size, information asymmetries, liquidity constraints and the risk of poaching, one of the major reasons governments intervene in conventional training markets is to encourage formal sector enterprises to provide more and better training.

The vast majority of incentives for steering the training decisions of employers come in the form of direct subsidies. Whilst many of these support apprenticeships as an important element of initial education and training, many remain general and do not target specific skills, instead allowing for flexibility in the identification of training needs, both on the part of employers and on the part of government. A common example are subsidies that target specific sectors (rather than skills), which is often done with a number of different objectives in mind such as supporting structural change, overcoming specific training barriers or supporting strategic sectors with growth potential. In Japan, for example, the Career Keisei Sokushin Joseikin programme is a general training programme targeted at existing employees, but greater subsidies are provided in priority areas, including: health, social work, ICTs, and environment-related construction and manufacturing (OECD, 2017c).

POLICY OPTIONS TO EXPAND FISCAL SPACE FOR LIFELONG LEARNING

To achieve the increased level of financial support required by education and training systems, particularly in low- and middle-income countries, there is a need to progressively enlarge and broaden the tax base to be able to increase spending on education and meet the financing gap (International Commission on Financing Global Education 2016).

Governments should increase public revenues, allocate more of these additional revenues to education (to meet or exceed international benchmarks) and prioritize spending on the most marginalized groups (UNESCO 2018). A share of increased revenue derived from economic growth or larger fiscal space should be allocated to the education sector, with a focus on ensuring basic education and adult education are sufficiently financed as priority areas through public spending.

Allocating additional fiscal resources for the improvement of the education and training system, when accompanied by adequate transparency and accountability measures, can contribute to a better acceptance of taxes by the public. Among the possible measures that can help broaden the tax base is a reduction in exemptions and the fight against tax evasion by both domestic and international companies (UNESCO 2018).

Whilst governments may subsidise enterprise training directly from central government budget appropriations, they also often rely on specially designated training funds linked to enterprise levy-grant schemes to fund will initial and continuing vocational education and training. While many variants are found in terms of actual practice, a common feature of levy-grant schemes is the use of payroll or other levies to accumulate funds that are then used to fund training or to incentivise firms to invest in more and better training of workers (ILO 2017a).

Training levies can also be sector specific and may be based as appropriate on the value of turnover, output, value of contracts or employment rather than only company payrolls. National levy grant schemes are in place worldwide and can be found in a range of G20 countries, including Argentina, Australia, Brazil, France, South Africa and the UK (Ziderman, 2016). In South Africa, a common 1% payroll levy is in place but allocation and management of levy proceeds is controlled by tripartite Sector Education and Training Authorities (SETAs). In Brazil, the system puts the private sector in the driving seat when it comes to decision making regarding the fund allocations, and this feature makes the system more responsive to labour market needs as compared to other levy-grant systems in Latin American countries.

Levy schemes however do have limitations and some have been criticised for not providing employers with sufficient control over expenditure and for their limited success in engaging SMEs

(Ziderman, 2016). Another example of a financial mechanism targeting enterprises to increase the funding available to education and training can be seen in the Corporate Social Responsibility (CSR) levy in India. This CSR levy requires firms to contribute 2% of the average net profits to local projects which can include those that strengthen education and training institutions (Deodhar 2015). Consequently, given the need to increase resources available to education, training and lifelong learning, coupled with the expected increase in the use of casual workers and sub-contractors in industry, it is likely that the growth of training levies will not diminish as governments continue to look to further encourage employer contributions to the cost of training skilled workers and the broader development of communities within which they operate.

Governments should show strong political commitment and prioritize spending for education and training in national budgets, given the high return of investment in terms of social and economic benefits. It has been recommended that governments should spend at least 4% of GDP on education, or allocate 15% of total government expenditure. One in four countries do not reach either of these proposed benchmarks (International Commission on Financing Global Education 2016).

Governments should also improve the availability, monitoring, transparency and use of financing data - disaggregated by education sub-sectors. It should include for example, data to better understand the scale and purpose of household costs of basic education in order to reduce the financial burden on families, particularly the poorest and most vulnerable (UNESCO 2018). Higher levels of investment and knowledge exchange in the area of financing data are also needed, with huge gaps in financing data still preventing full transparency in both domestic and international financing of education. Critically, the international community must improve accountability (International Commission on Financing Global Education 2016).

It should be noted that the structure of national accounts themselves should be reconsidered. In national accounts, education is counted as consumption not investment. Consequently, if public finances for education shift from consumption to investment it will have a different effect on the public deficit and thus creates fiscal space for greater investment (Bengtsson 2013).

Consideration should also be given to a number of innovative mechanisms that have been proposed. Impact investment funds such as Social and Development Impact Bonds (SIBs and DIBs) which fund commercial projects and include non-financial objectives are one such option. In 2017, 200+ impact investment funds held an estimated $114 billion in assets which could be considered as a potential source of funding for human-capital oriented investments (UNCTAD 2018). The concept of a Global Solidarity Levy, such as the Financial Transaction Levy proposed by the International Commission on Financing Global Education, could for example, be explored by the G20 as their contribution to enhanced financial commitments to LLL (see Innovative Finance Foundation (2013)). The growing demand for action on funding for education, training and life-long learning is also evident in the call for the establishment of a multilateral International Finance Facility for Education which was included in the 2016 report of the International Commission on Financing Global Education.

In summary, the number of policy options exist to increase the quantum of funds available for education training and lifelong learning, but ultimately, the key challenges for governments to show the leadership and commitment required to increase budget allocations so that the promise of SDG4 can be realised for all.

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