

Executive summary

DEVELOPING THE ADULT LEARNING SECTOR

Lot 2: Financing the Adult Learning Sector

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by

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Introduction

Europe is at a cross-roads: the labour market has an increasing need for skilled and highly-skilled labour, while demand for the low qualified is shrinking rapidly. At the same time, demographic change and other factors require a later (effective) retirement age. These and other developments will result in an increasing need for – vocational as well as non-vocational – adult learning, likely to require additional funding. However, spending on education has even decreased in several countries in recent years in the aftermath of the economic crisis. In the light of these challenges ahead, this study maps and analyses key data, funding sources and mechanisms, and relevant recent developments in selected European and non-European countries.¹ Based on a thorough analysis of these data on the financing of adult learning it draws conclusions and recommendations. It aims to enhance knowledge on the (wider) benefits of and effects of funding volumes, systems and instruments. This concerns adult learning in general as well as for specific adult target groups and areas (second chance education/basic skill provision, higher education later in life, older/retired people) and learning providers in particular. This executive summary provides a very condensed overview about the core findings of the study.² The report is based on the following methodologies and sources:

- Thorough literature review and analysis;
- Statistical analyses of adult learning data in Europe and other countries, based on e.g. Eurostat, OECD but also on country-level data provided from statistical offices, responsible ministries and national experts;
- Brief summaries on the adult learning policy in the countries concerned;
- Mapping survey on cost-sharing and public funding instruments;
- Factual information on selected funding instruments;
- Expert overview/survey on the situation of learning providers;
- Online survey of learning providers.

Despite these efforts to combine information from various sources it needs to be mentioned that several limitations exist.

- Firstly, macro-economic research on the relationship between adult learning and, for example, innovation and economic growth is at very early stages. This suggests to consider the findings in this study as (first) indications about possible, rather than causal relationships; additional research is needed to arrive at clear-cut causal relationships.
- Secondly, national data and estimations on funding volumes are based on varying definitions and data sources and often provided for one year only or repeated only

¹ Austria, Belgium, Denmark, Germany, Estonia, Hungary, Italy, Netherlands, Romania, Slovakia, Slovenia, Spain, and United Kingdom as well as Norway and Switzerland as EEA countries and – in order to compare Europe's adult learning policies with those of major competitors – the four non-European countries Australia, Canada, Korea and the USA.

² This study consists of the final report and an annex with the full-fledged and detailed analyses.

sporadically, rather than annually.

Because the number of countries, for which funding data is available at all, is generally rather limited, we provide figures over a longer period of time for a larger number of countries which help to provide a broader picture. However, as already mentioned with regard to the macro-economic analysis, research is in its early stages and will have to be corroborated by future research and the following sections should be viewed in the light of these shortcomings.

1. Adult learning is beneficial for economy, society and individuals

Strong correlations can be identified between adult learning and innovation performance indicators. While learning in the workplace („learning on the job“) through task complexity is the most important driver for innovation performance, even other adult learning indicators, such as AES 2007 or LFS 2010, show significant correlations with innovation. Our analyses suggests that adult learning is even more important for innovation performance than higher education.

Another positive relationship can be identified between adult learning and economic growth; countries with higher growth rates in 2007 and 2011 also show higher adult learning participation rates. Since estimations including time lags in participation in adult learning show even stronger correlations than estimations without respective time-lag effects, this suggests that participation in adult learning is important not only for short-term but also for mid-term growth. The identified temporary effect indicates that the benefits of learning depreciate over time.

Assuming that employers, who are important drivers of adult learning, base their decisions on economic criteria, higher participation rates are a mirror of high performing countries, i.e. participation rates are higher because participation in adult learning is economically advantageous, whatever the causality.

Adult learning can result in income benefits and reduced unemployment rates, though size and evidence varies, partially due to the heterogeneity of adult learning itself. Furthermore, substantial public and private (monetary) rates of return can also be identified for second chance education as well as for higher education later in life, whereas evidence is less clear-cut for older people. However, these rates of return vary considerably across countries and for both sexes. It appears that returns to adult education are far lower in the Nordic countries than in the other regions, and particularly in the newer Member states. Our research also indicates that returns are higher in countries where unemployment is lower.

Apart from such economic benefits, wider benefits on health, crime and social cohesion can be observed. Individuals who participate in adult learning become less susceptible to depression, more self-reliant and resilient, are more likely to stop smoking, to quit drug and alcohol abuse.³

³ Please refer to the final report for detailed references.

Eventually, it is important to note that returns to adult learning are sometimes even higher than returns to initial education, challenging the simplifying general statement that returns to education decrease over the life-span. Another finding of particular political importance is that returns to adult and higher education arise much faster than for school and early childhood education. This would suggest that it could be beneficial to invest in adult and higher education first and to utilise the increased fiscal returns to boost school and early childhood education.

2. Costs and funding of adult learning are a serious obstacle to participation in adult learning

The obstacle ‘training was too expensive or unaffordable’ is only ranked fifth, according to AES 2011. However the situation varies across countries. In Romania, more than half of all – and even two thirds of low-qualified – non-participants mention costs and affordability as obstacles. Second highest are the values in Switzerland and Greece with close to 30%, followed by Estonia, Italy, Netherlands, Latvia and Lithuania with almost 20%. In contrast, the lowest figures come from Slovakia, Belgium and three Southern European countries (Portugal, Spain and Malta).

Furthermore, in a relevant number of countries, the share of low-qualified pointing to costs as an obstacle is higher than the share of people with medium or high qualifications. This is important with regard to the low participation rates of low-qualified.

Eventually, apart from Romania, costs are more of a barrier for women rather than for men for a variety of reasons.

3. Higher spending for adult learning is linked to higher participation rates

The study provides strong evidence that funding volumes and the distribution across stakeholders matter. Countries with participation rates of almost 60% and above spend at least 1% of GDP on adult learning; some even more than 1.2%. In contrast, funding commonly only adds up to 0.8% of GDP in countries with lower participation rates.

However, it is also worth mentioning that high spending volumes are not necessarily linked to high participation rates, suggesting that there is room to improve effectiveness in some countries; in contrast, very few countries obviously manage to arrive at comparatively high participation rates with relatively limited funding figures.

With regard to non-vocational adult learning it is rather difficult to arrive at clear spending figures. Available evidence suggests that only very little is spent on non-vocational adult learning. Apart from Denmark, where arguably up to one fourth of the overall budget for adult learning is spent on non-vocational adult learning, it is at the utmost 10 to 15% in the other countries. However, the demarcation line between vocational and non-vocational adult learning is often difficult to draw.

4. Some countries increased funding during the crisis, others cut public budgets

No overall picture can be drawn with regard to the development of funding during the crisis, because of limited availability of data. While several of the better-off European countries, e.g. Denmark, Germany, and the Netherlands increased their funding volumes at least temporarily during the crisis, many others, particularly the newer member states, reduced their spending levels. A different development can be observed in the USA and Australia where particularly public funding increased substantially during recent years.

Since our review of the benefits indicated that adult learning is positively linked to growth and innovation as well as to more general benefits for individuals, employers and society, this diverging pattern may result in an economic development that drifts further apart in the future, i.e. countries with lower investments in adult learning may grow slower than countries investing more.

5. Employers contribute most, the state least to adult learning

Employers are the biggest financier of adult learning in almost all countries reviewed more in-depth in this study, commonly contributing between 0.4 and 0.5% of GDP to adult learning, which is equivalent to roughly 50% of overall spending. In contrast, the states spend less than 0.2% of GDP in most countries; however, in some Nordic countries the state spends more than 0.5% of GDP. Individuals bear close to 0.3% of GDP for adult learning.

6. Lower individual contributions are linked to higher participation rates

Several data sources provide evidence that contributions from individuals are lower in countries with high participation rates. Individuals contribute up to 20% of the costs for adult learning in countries with high and up to 40% in countries with lower participation rates. The only exception is Switzerland where individuals pay almost half of the bill.

Even if the individual contribution is translated into the amount spent per adult it is higher in countries with lower participation rates than in countries with higher participation rates. This pattern can be observed among the newer member states, in which GDP is commonly lower, as well as in the economically better-off Western and Northern countries. Regarding individuals' costs, the amount spent per adult is higher in Austria and Germany than in all but one Nordic country and the Netherlands, where participation rates are much higher.

However, the disadvantage is that these decreasing individual costs are very likely to go hand in hand with increasing deadweight loss. The underlying reason is that also those individuals benefit from paying lower contributions, who would be willing to pay for adult learning themselves, even if no public funding would be available.

7. All spending indicators show higher values in high participation countries

Several spending indicators, all newly created within the context of this study, reveal that overall spending levels are commonly much higher in countries with high participation rates. While more than € 650⁴ is spent per adult in the high participation countries, apart from Finland, it is less than € 250 in countries with low(er) participation rates.

Reviewing the distribution of funding per adult by financier, it turns out that the differences in spending by individuals are rather limited. Individuals spend between € 40 and € 80 in most, newer member states and between € 100 and 150 in most other countries. Only Norway and Switzerland are exceptions with far higher amounts.

Apart from Switzerland, employers spend more than € 290 in countries with high participation rates and less than € 175 in countries with low participation rates. The differences in state spending are even larger, varying from € 200 per adult in the high participation countries to less than € 50 in most low participation countries.

However, some countries, such as, for example, Austria, Germany and particularly Slovenia, show comparatively high spending figures in relation to their participation rate.

8. Some funding instruments are important in relation to participation

Our analyses suggest that tax incentives, 100% grants and adult learning loans as well as cost-sharing vouchers are more important with regard to participation rates than other instruments. However, vouchers are a serious challenge to underrepresented groups and may even result in an additional barrier, if no suitable measures are taken to overcome this barrier.

9. Participation rates in adult learning increase while mean hours of instruction decrease

According to AES, the average participation rate in the EU-27 countries increased from 35 to 41% between 2007 and 2011.⁵ This trend is also visible for most countries, though to varying degrees when examined in detail. In Northern, Western and Southern Europe all countries show increasing rates, apart from one country in each region, while the new member states are split into two groups. One group reveals increasing rates, while the rates decline in the other. While participation rates in adult learning are still increasing with educational attainment and decreasing with age, the gap between low- and highly qualified and younger and older age cohorts narrowed in most countries, indicating that a focus was placed on underrepresented groups in recent years, probably also due to ESF funding regulations. However, gaps even broadened in some other countries.

⁴ All funding figures are in purchasing power parity (PPP).

⁵ According to updated figures from July 2013, the average participation rate is now at 40%, particularly because of the inclusion of data from UK, where participation dropped from 49% (2007) to 36% (2011).

Mean hours of instruction decreased in most countries, where participation rates increased, while mean hours increased in countries with decreasing participation rates. This indicates a trade-off between participation rates and mean time of instruction. Although a shift towards more non-formal learning plays a role in this development.

10. Flexible and unrestricted funding is conducive to more mature students enrolling in universities

The share of mature or non-traditional students in higher education aged 30 or even 40 and above is a mirror of the funding regulations. Countries with higher shares provide flexible and unrestricted public support through loans and/or grants up to age 60, whereas the share already goes down if countries employ means-testing for their grants and/or loans, even if they are available to age 60.

The share of non-traditional students is low in countries, such as, for example France and the Netherlands, where funding is restricted to initial higher education, linked to means-testing based on parental income, age limits below age 30 and often available only to full-time studies.

11. Participation of older learners is higher when funding is open for all age groups and the share of older workers is higher

A combination of factors contributes to higher participation rates of older learners aged 55 and above: funding without age restrictions, educational attainment, employment rate and a higher effective retirement age. Countries with lower participation rates commonly employ some specific funding models for older people, with often very limited take-up rates. However, the other factors can also be observed, i.e. the employment rate of older people is lower, educational attainment is lower and effective retirement age is lower.

12. Free second chance education is not all – accompanying measures are needed

In many countries second chance education and basic skill provision is free of charge, though some countries charge fees of up to 50% of costs; in some of these countries fees are reimbursed upon successful graduation. Apart from some countries, low qualified people are not more constrained by cost from entering adult education than other groups, whereas no need for training, conflicts with work schedule or other dispositional barriers (poor and disappointing learning experiences etc.) are more important; furthermore, non-participation rates are particularly high in countries with high shares of low-qualified and/or high unemployment rates of this group.

Although countries spend a lot on second chance adult learning, e.g. up to € 9,000 or even € 11,000 per participant, participation rates are mostly very limited; consequently the share of low qualified adults decreases only very modestly in most countries. Instead, some countries seem to experience even increasing rates of low-qualified.

The study concludes that funding policies need to take into consideration that accompanying measures are required to combat low participation rates of low-qualified in adult learning, aiming to surmount the various barriers of low qualified to adult learning, e.g. proactive information, advice and guidance, tailored learning modes etc.

13. Learning providers experience reductions in public or EU-funding only in some countries

The structure of learning providers varies a lot in the European countries, but knowledge of their funding situation and of changes in funding during the crisis is rather limited. Therefore, an online survey in 7 countries was conducted as part of the study; the findings suggest that a common and overarching pattern is difficult to establish with regard to public funding as well as funding from employers and individuals. However, learning providers in some countries obviously face more problems due to cuts in public or European funding than in other countries.

Conclusion and Recommendations

1. Adult learning pays-off and returns to adult learning are substantial and accrue to the economy, individuals and society. The findings show stronger correlations with innovation performance than in the case of higher education; and countries with higher growth rates during the last five years show higher participation rates in adult learning.
 - Developing and implementing cost-sharing mechanisms and instruments including contributions from the state the employers and individuals is therefore strongly recommended.
2. Reviewing funding volumes and distribution, countries with higher participation rates show higher funding amounts in general, but also in relation to various indicators, e.g. spending per adult or spending per adult and per hour. Although funding from employers and states seem to be drivers of adult learning participation, statistical analysis confirms this only for state funding. In contrast, participation rates are higher in countries, where individuals pay less in relation to their income. However, increasing participation rates through public funding policies is linked to increasing deadweight effects if not well targeted.
 - The costs for the individual should be kept low (or even reduced), if participation rates are to be increased.
 - Funding should be targeted at those in need of funding and complemented by accompanying measures such as guidance and outreach activities to avoid deadweight effects
3. Countries with high participation rates in general often employ open access policies, in the sense that (public) funding is available to (almost) all adults, and often through a rather small number of instruments. In contrast, countries with low participation rates are still very much, if not almost exclusively oriented towards

initial education. Previous research⁶ suggests that countries with higher participation rates address individuals rather than companies, i.e. the number of funding instruments for individuals is higher, the number of instruments for companies is higher in countries with low(er) participation rates.

- Developing comprehensive lifelong learning strategies and cultures, which are obviously a major component in reaching higher participation rates.
 - This suggests re-orientating funding towards individuals and providing (more) funding opportunities for under-represented groups, even if they are in employment.
4. With regard to older people, education levels and a higher effective retirement age are important drivers for participation in adult learning of this group; i.e. rising retirement age could be a short-term policy in order to increase their participation rates. Funding itself – as well as time constraints because of family or job – is less of a problem for this group than health, age and limited learning needs because of job, i.e. accompanying measures are probably more at the core than funding. This applies also to second chance education, where most countries employ full-cost funding or request only a small funding part from the individual.
- Funding instruments should address all age cohorts
 - Funding instruments should be complemented by accompanying measures, addressing additional barriers.
5. Even though concerns about data limitations are mentioned in almost every study, unfortunately, it needs to be repeated that data limitations are a serious problem with regard to adult learning, hampering research and policy advice. Apart from participation rates, for which the adult education survey 2011 seems to provide a very good picture by and large, all other data are incomplete, often even rather sketchy, and commonly hardly comparable. Even at national level this is a matter of concern, particularly as far as funding volumes are concerned, which are either incomplete or available for certain (one) year(s) only. Different national understandings and definitions of adult learning are another issue hampering comparability of national data.
- In light of the limited comparability of national data, the study suggests establishing an indicator which combines the trade-off between increasing participation rates according to AES and decreasing mean hours of instruction. This indicator would also respond to the varying role and duration of formal and non-formal learning.
 - The correlation between adult learning and innovation output (performance), which seems to be even stronger than the role of (initial) higher education, should be recognised in the Innovation Union Scoreboard.

⁶ PPMI/FiBS (2012), Financing training. Final report of a study on behalf of Cedefop.

These policy developments should go hand in hand with better data collection and evaluation to ensure effectiveness; data limitations are a serious problem, as even the evidence provided in this study shows.