
Financing, support and participation in further learning in Austria a comparative perspective

Stefan Vogtenhuber, Lorenz Lassnigg, Elfriede Wagner
(IHS Vienna)
Presentation at the ECER Conference, VETNET
Vienna, 29.09.2009

Institute for advanced Studies | Stumpergasse 56 | A-1060 Wien | Tel: +43 1 59991-0 | www.ihs.ac.at | www.equ.at |

EU LLL policy: goals and progress

- LLL is a core element of the Lisbon strategy
 - Competitiveness, employability AND
 - Social inclusion, active citizenship, personal development
- Share of low skilled LF is still high (about one third), newly created jobs demand higher qualifications
- EC promotes comprehensive LLL strategies to enable citizens to “acquire new skills and upgrade existing skills throughout their working lives”
- Except for MST graduates, the E&T-benchmarks set by the Council will not be reached by 2010:
 - Progress in adult LLL-participation, early school leavers and upper secondary completion insufficient
 - Share of low achievers in reading literacy has even increased

Update: Raising skills levels through LLL

- 4 strategic challenges in the years to 2020
 - Making LLL and learner mobility a reality
 - Improve quality and efficiency of provision and outcomes
 - Promote equity and active citizenship
 - Enhance innovation and creativity, including entrepreneurship at all levels of E&T
- Review and update of the benchmarks beyond 2010 (new goals and new benchmarks)
 - LLL-benchmark should be raised to 15% AND imbalances in participation between groups should be reduced
 - Employability benchmark linked to labour market participation of people with different skill levels

Hypothesis and evidence(?)

- According to the life cycle skill formation hypothesis:
 - Investment in early education is beneficial both in terms of equity AND efficiency, because it compensates best for disadvantageous background characteristics and
 - Investment in later phases of the life time yield higher returns for those who were well educated and qualified in the first place
 - Therefore, investment in older workers who are less educated are less efficient but is not only advisable in terms of equity
- Enterprises follow the efficiency imperative
- Thus, society is responsible to adjust not only for equity but to increase job security, employability and social inclusion, given demographic and technological trends

Trends in investment in HR (% of GDP)

- Public spending on lifelong learning clearly focus on initial education, only a mere part is dedicated to adult education and training

	2006	1999	trend
EU-27	5.05%	4.86%	+, (~since 2003)
AT	5.44%	5.86%	-
DK	7.98%*	8.11%	~
TR	2.86%	2.96%	~

- Private spending on initial education as a % of GDP in 2006:
EU-27: .67%(~), AT: .59%(+), US: 2.39%(+), FI: .15%(~)

Sources of adult education in Austria (in million EUR, at constant prices)

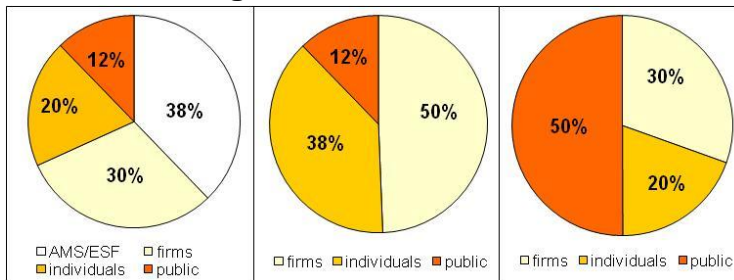
- Adult learning: public funds play a minor role, major part is borne by labour market parties

	2006	share	1999	trend
Public funds	293	12%	315*	~
Enterprises (CVTS)	729	30%	569	+
Individuals (approx.)	466	19%	466	?
AMS (incl. ESF funds)	903	38%	520	++
Total	2,391	100%	1,870	+

- AMS (public employment service): active labour market policy of the governance, but financed by employers and employees

Funding of adult education in Austria

- OECD cost sharing model to fund adult education: public – employers - individuals: one third each
- **Where to assign AMS-funds?**

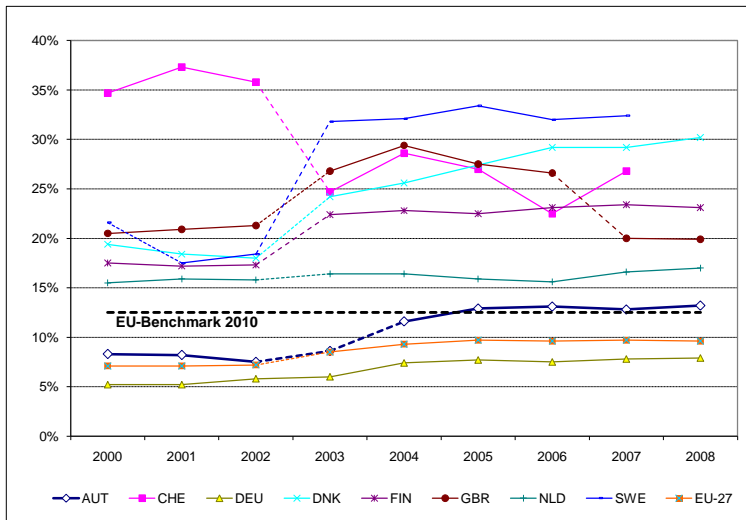


- Amount of public funding unclear
- Enterprises and AMS determine magnitude of CVT

Support mechanism to promote training (no comprehensive evaluation)

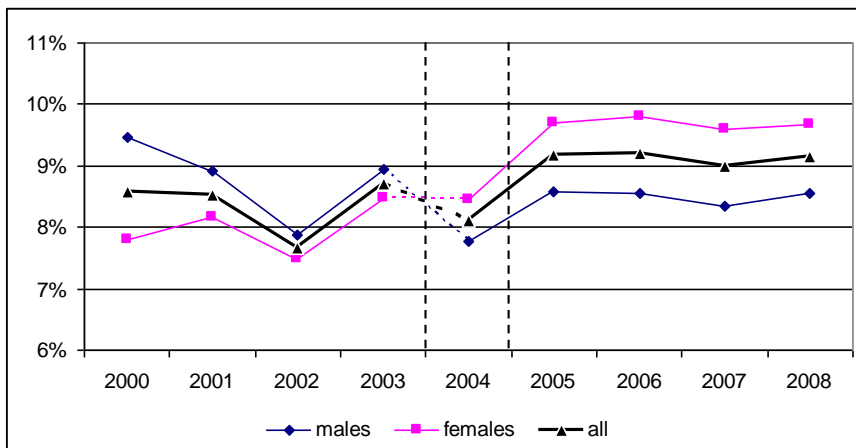
- **Individual**
 - tax incentives (persons with high income benefit more)
 - Training leave of 2 to 12 month; no wages but AMS pays fictitious unemployment benefit (was reformed recently due to low acceptance)
 - Labour chambers give away training voucher worth EUR 100,-- (in some regions add. EUR 50,-- for target groups)
 - Learning accounts address low income and disadvantaged groups, but can only applied for afterwards
 - building loan contract may be used for education expenses (since 2005)
- **Institutions**
 - Tax incentives for enterprises: training tax allowance and training tax credit (+low administrative costs, +no market related distortions, +start-ups benefit from credit; -deadweight losses, -no targeting of disadv. gr.)
 - VAT exemption of training providers (BFI, WIFI, LFI, etc.)

Adult participation in lifelong learning (by 2010, 12.5% of 25-64 year olds should participate in LLL)



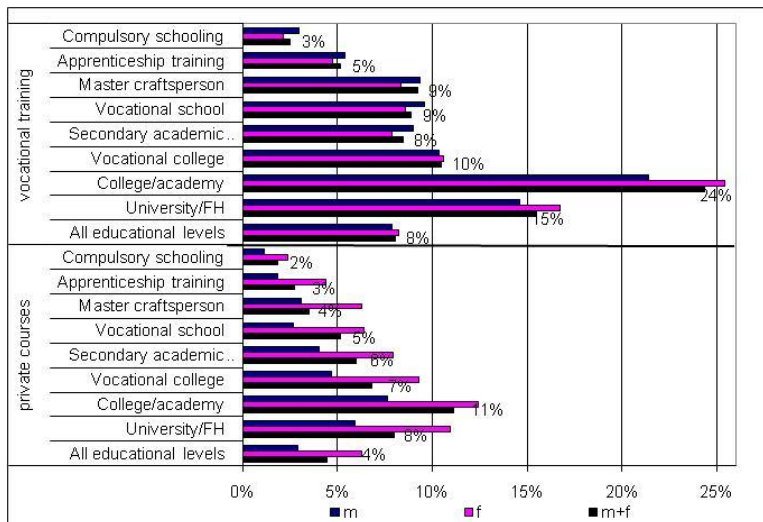
Non-formal learning in Austria (LFS)

participation of population 15+ in vocational or private courses within 4 weeks



Non-formal learning in Austria

participation of working people (25-64) within 4 weeks, LFS 05-07



Adult participation in training (CVTS)

- Across Europe (EU-27), 32% of employees participated in CVT-courses in 2005 (Austria: 33%)
- Enterprises indeed select the participants according to individual characteristics
 - 54% of enterprises train but only 42% of their employees get trained (Austria: 79% vs. 38%)
 - Sig. lower participation of older workers (55+), and females in the service sector),
 - formal educational attainment unobserved
- Large enterprises invest more than smaller ones
- more enterprises train than 1999 (EU-25: 51%, AT: 74%), fewer participants in EU (42%), more in AT (22%)

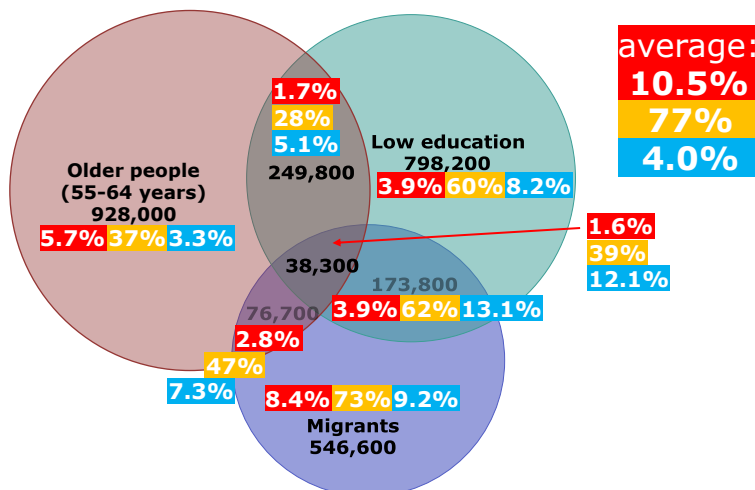
Disadvantaged groups: multivar. analysis (Austrian LFS 05-07, working people aged 25-64)

- EC pointed out three groups at risk:
 - People with no more than compulsory schooling
 - Older people (55-64)
 - Migrants due to their high percentage of lower educated
- Educational attainment level, occupational status: the higher the better, e.g. education
 - odds ratio of males with HE to participate in CVT: >3
 - females with HE: 7 to 9, as compared to compulsory schooling
 - field of education does matter
- Age, job tenure and migration lowers training probability
- Firm size is positively associated with training
- Underqualified people tend to train more

Labour market groups at risks

(Austrian adult population 25-64, LFS 2008)

Non-formal training participation Employment rate Unemployment rate



Incentives for individuals

- Private benefits of training
 - labour market outcomes: employability, job security, improvement of occupational status
 - improved civic participation
 - Health, well-being (esp. older people who engage in learning!)
- Training is associated with higher wages
 - Austria: wage effect up to 10% (OLS) or no significant effect at all (ECHP fixed-effects, see OECD 2004, Bassanini et al. 2005)
 - Pfeifer et al. (2008): higher wage effect of firm based training, younger people: higher wage effect, older people: higher employment effect
- Benefits are not equally distributed across demographic groups -> low incentives for low skilled?

Incentives for enterprises

- Increased productivity
 - A study based on CVTS and firms performance data showed that firms, who invest twice as much in training have on average a 4%-point higher productivity-rate (Böheim, Schneeweis 2007)
 - Firms who invest more in training also pay higher wages
 - Again there is a correlation, but causal link is unverifiable
- Better quality employment (spill over effects)
- Reduced recruitment costs, in particular if labour supply is short

Incentives for the society as a whole

- Economic growth & competitiveness
- Increased tax revenues
- Reduced expenditure
 - Unemployment benefits
 - Welfare payments
 - **Early retirement pensions**
- Active citizenship & participation
- Lower incidence of criminality
- ...

How to raise participation?

- Structural problem of financing adult education in Austria
 - Training is determined by employment and social insurance to a large extent
 - Support mechanism are not able to compensate for barriers to disadvantaged groups
- Better support of and quality programs for groups at risk (unemployed, low qualified, migrants, out of labour force)
 - General conditions of the external training market are especially unfavourable for older people and the low skilled (information, offered programs: content and curriculum + **certification**)
 - More incentives for firms to invest in training of low skilled and older worker (since firm based training is expected to having best employment effects)

Matthew effect in adult education

The best basis for an active adult learner is her initial education: the higher the educational attainment the higher the likelihood to participate in further learning processes

Thank you!