

Financing lifelong learning into the future The Expert Commission's most significant findings

ON 23 OCTOBER 2001 THE EXPERT COMMISSION ON 'FINANCING LIFELONG LEARNING' SET UP BY THE FEDERAL MINISTER OF EDUCATION AND RESEARCH, EDELGARD BULMAHN, BY ORDER OF THE BUNDESTAG, STARTED WORK. THE COMMISSION INCLUDES FIVE EXPERTS FROM DIFFERENT DISCIPLINES, NAMELY PROF. USCHI BACKES-GELLNER (BUSINESS MANAGEMENT, UNIVERSITY OF ZÜRICH), PROF. GERHARD BOSCH (PROFESSOR OF SOCIOLOGY AT THE UNIVERSITY OF DUISBURG-ESSEN, VICE-PRESIDENT OF INSTITUT ARBEIT UND TECHNIK, GELSENKIRCHEN), PROF. GISELA FÄRBER (PUBLIC FINANCE, GERMAN UNIVERSITY OF ADMINISTRATIVE SCIENCES SPEYER), PROF. BERHARD NAGEL (COMMERCIAL LAW, UNIVERSITY OF KASSEL) AND PROF. DIETER TIMMERMANN (RECTOR OF THE UNIVERSITY OF BIELEFELD, PROFESSOR OF EDUCATION ECONOMICS AND COMMISSION CHAIRMAN). THE COMMISSION'S WORK WAS SUPPORTED BY A SECRETARIAT.

THE COMMISSION'S MANDATE WAS TO DEVELOP A SUSTAINABLE OVERALL CONCEPT FOR FINANCING LIFELONG LEARNING. THE COMMISSION WAS CHARGED WITH CONSIDERING ASPECTS BEYOND NORMAL PROFESSIONAL TRAINING AND TO INCLUDE LEARNING WHICH IMPARTS GENERAL, CULTURAL AND/OR POLITICAL KNOWLEDGE, CONCENTRATING ON POST-INITIAL TRAINING. IN ADDITION, THE PROPOSALS HAD TO BE PRACTICABLE AND ALLOW FOR EXISTING ALLOCATION CONSTRAINTS.

THE COMMISSION ADDRESSED THE TOOLS WHICH ARE CURRENTLY UNDER DISCUSSION IN ACADEMIC CIRCLES AND WHICH ARE ALREADY BEING APPLIED IN SOME COUNTRIES. THE MEMBERS HEARD FROM EXPERTS IN THEORY AND PRACTICE, STUDIED THE EXPERIENCES OF SELECTED EUROPEAN COUNTRIES AND COMMISSIONED EXPERT REPORTS ON 28 JULY 2004 THE COMMISSION DELIVERED ITS FINAL REPORT. THIS ARTICLE SUMMARISES THE MOST SIGNIFICANT FINDINGS AND RECOMMENDATIONS.

The necessity of lifelong learning

Germany has an excellent vocational training system which offers many opportunities for climbing the career ladder. Many middle management jobs which are the preserve of academics in other countries are held by graduates of the dual system of education; people who have obtained qualifications as master craftsmen, technicians or business administrators or who have attended an institute of higher education later in life. However, this fact cannot conceal that the German training system remains focused on learning *before* entry onto the labour market, much more so than is the case in other countries. According to the OECD, only 2.8 % of German 30-to-39-year-olds are studying full or part time in private or public institutes of education. In Finland the figure is 10.4 % and in Sweden it is 14.6 % (OECD 2003a: 300). As the Scandinavian countries have introduced more modern, learning-friendly forms of work organisation, the gap between them and Germany would probably be even larger if informal learning in the workplace were considered.

The necessity for increased investment in lifelong learning arises from three objectives: (1) stimulating economic growth and improving competitiveness; (2) promoting employability of individuals; and (3) strengthening social cohesion.

Photograph caption)
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- 1) Over the past 15 years Germany's economy has ground to a near halt. Reunification has been financed by restricting investments in the future. Spending on research, development, education and infrastructure is now far below that of the United States, Sweden and Finland. The last two countries were able to overcome profound welfare state crises by investing in a 'sustainable economy' (HELMSTÄDTER 1996). The benefit is reaped in their current high employment rates. Unemployment can only be reduced by developing a dynamic economy. For many years now, menial labour has been outsourced to other countries; the German economy's competitiveness has increasingly come to depend on its innovativeness and the excellence of its workers. This new situation demands greater resources for education, including continuing training of adults.
- 2) Initial and continuing training have now become prerequisites for gaining access to the labour. Employment rates strongly reflect educational level. For example, around 78% of highly qualified women were employed in 2002. For men the figure was 86%. This contrasts with only 43% for poorly qualified women (men: 64%). Continuing training usually has both material and non-material effects. Almost 80% of all recent participants in vocational training state that they are now able to perform their job better (KUWAN et al. 2003: 295). People taking continuing training courses can expect to improve their incomes, reduce their risk of becoming unemployed and receive promotion. The career boost has, however, only been noted for men, and the income bonus only for those under 44 years of age (BÜCHEL/PANNENBERG 2003). Lifelong learning is useful, but obviously it is not sufficient to overcome age and gender barriers. Foreigners, workers with little education or vocational training, employees in non-innovative businesses, mothers, part-time, temporary and short-contract workers all do not get their fair share of continuing training. Surprisingly, age is not a factor in low participation. Well-qualified over-50s actually take more continuing training than their younger peers (Fig. 1). It is the poorly qualified older workers who are most excluded from continuing training.

Until now that had not been a labour market policy issue, since precisely this group tended to take early retirement.

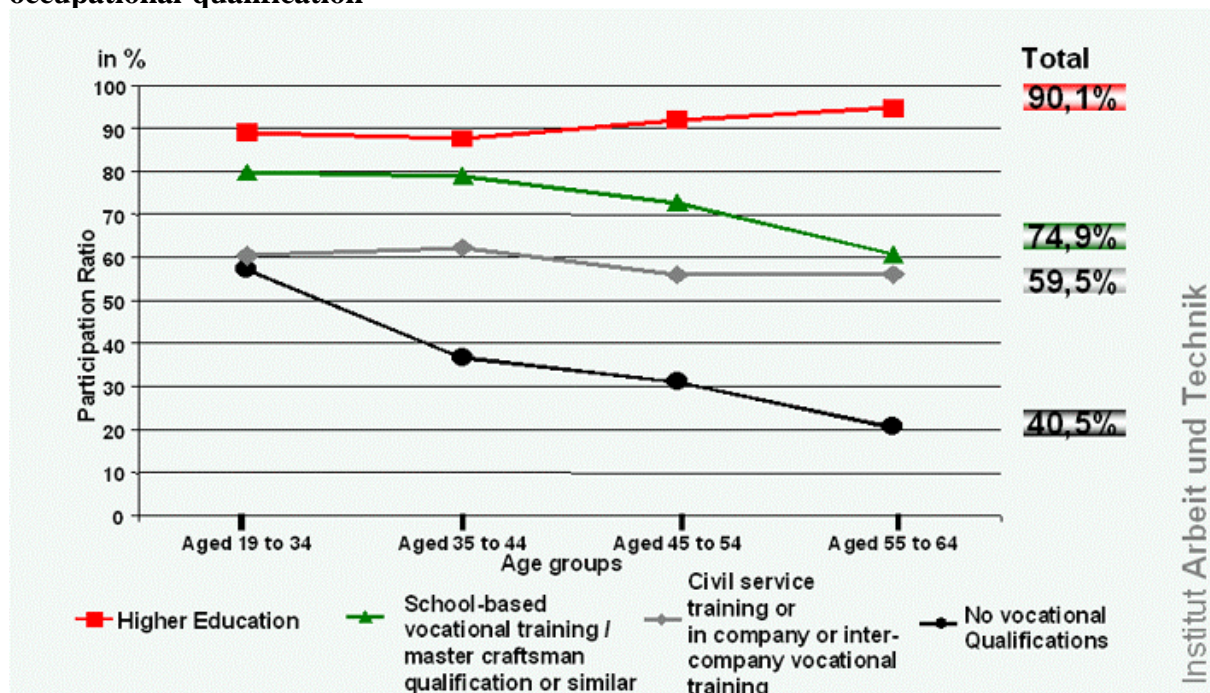
- 3) General, political and cultural education gives people basic orientation and skills so that they can help shape political and social change in our ever more complex society. It enables them to get involved as citizens. Without community commitment many cogs of today's society would not turn. Good general knowledge is not only a prerequisite for participation in vocational training and continuing training, it is also necessary for making responsible decisions in both professional and private life. The heightened expectation of personal responsibility in today's world, including financing and organising one's own lifelong learning, cannot simply be presumed, as it is in free-market concepts. People must be taught to develop this ability through viable educational processes and derived successes. Participation in general education depends to a high degree on socio-economic variables. This undermines social cohesion and limits the economic and social options of large segments of society.

Educational system not equipped for new challenges

The commission considers the current level of enrolment of adults in general education and vocational training unsatisfactory for several reasons:

- 1) Innovation has accelerated so much that initial training is no longer adequate for professional development. Knowledge must be continuously refreshed, upgraded and expanded, on and off the job.
- 2) The number of over-50s in the labour pool will increase from 22% to 36% in 2020. Raising the retirement age and making early retirement much more expensive will nullify current strategies for excluding the low-skilled. Pension reform must be supplemented by training policies, otherwise it could simply increase unemployment among older people.

Figure 1: **Participation in continuing vocational training, by age and level of occupational qualification**



Source: Schröder/Schiel/Aust 2004

- 3) Germany has a higher percentage of foreigners than any other major European country. Immigration will increase the figure. A large number – including many third-generation immigrants – have considerable difficulties with reading and writing. This did not matter a great deal in the industrial society with its wide range of simple manual tasks but in the service economy it blocks access to the labour market.
- 4) Finally, career paths vary considerably in Germany. Not everyone takes the straight route through the educational system. The percentage of young people with no school-leaving certificate of any kind increased from 8.2% in 1992 to 9.6% in 2001. Around a quarter of trainees abandon their traineeships. In 1984 only 14% took this step. 30% of college and university students now quit their courses. In a society where certificates are so important, it is hard for people who do not possess any educational or vocational qualification, despite the fact that people entering the workforce laterally often have a myriad of diverse experiences and can greatly enrich frequently infertile corporate cultures.

The German education system is not equipped to deal with the new challenges:

- It does not give a second chance to over-30s who have abandoned their training.
- The career development opportunities of the dual system are good, but it provides limited access to higher education.

- Initial vocational training has been modernised, but no adapted continuing training modules exist.
- Participation in further general and vocational training is restrictive. Opportunities are inadequate for people with few formal qualifications, part-timers, temporary workers and those with many family responsibilities.

Who should finance lifelong learning?

More resources must be directed into lifelong learning. This funding should come from the state as well as from companies and individuals. The OECD has demonstrated that the best results are obtained through cofinancing (OECD 2003b). If stakeholders only invest in those training measures which directly benefit themselves (increased productivity for the company, higher income for individuals, more taxes for the state, to mention just a few monetary returns of investment in training), the result is underinvestment. Another cause of underinvestment is that the fruits of education are inconspicuous, in the form of diplomas or certificates. But when people's achievements are not clear to their potential employers, learners are not adequately rewarded for their effort.

Another reason can be added to those mentioned by the OECD: outlays can usually be assessed very precisely, yields cannot. Benefits often only emerge in the long term and there is always a high degree of uncertainty about the extent to which they can be attributed to lifelong learning. An economy and society that consistently only look at costs and the short term will not be inclined to invest much in lifelong learning. Some of the dividends of educational measures – particularly the social benefits (improved quality of life, better social cohesion, promotion of democratic values, etc.) – are not of direct evident use and cannot easily be assessed. They cannot be balanced by forecast profits.

Cofinancing, long-term thinking and marketable transparency of qualifications are therefore musts for avoiding underinvestment in lifelong learning. Many training contracts and collective agreements have already incorporated cofinancing as a practicable option. Cost-sharing follows a logical pattern. Companies are responsible for financing purely company-related training measures. However, if a training measure allows participants to gain a skill of wider use on the labour market, they are expected to contribute. If the training has no relevance whatsoever for the company, individuals must bear the entire cost themselves. An employee's share of the burden may be in the form of time, which is also a precious commodity and can be assessed monetarily as lost income.

However, all cost-sharing models must take income and financial situation into account. Only those people with disposable incomes can be expected to help finance training. A survey conducted on behalf of the commission revealed that households with incomes in the lowest 20% bracket are in debt and only able to make very small contributions. However, most households have considerable savings, which can be tapped for training (AHRENS/QUINKE 2003).

The various proposals for financing lifelong learning are the logical conclusions of various perceptions of public responsibility. These are based on a combination of hard-and-fast economic reasoning and politically influenced judgements. In order to develop a package of consistent financial proposals these values must be precisely formulated. The commission's definition of public responsibility particularly considers people's varying financial assets. The experts regard the financing of general, political and cultural continuing training as a public

duty. Training measures provide an arena for communication and learning within a democratic society. The commission assumes that the state will continue to guarantee every citizen free access to a certain level of general education and initial vocational training. The state bears the costs of training measures and maintenance. The transition to a knowledge society is expanding this public mandate. Simple jobs which can be performed without minimum levels of general education and social competencies are becoming rare. However, many adults do not possess even these basic skills. So public responsibility for general education must also cover adults. The state must guarantee vocational training funding for the needy, bridging financial gaps with loans and bearing the risk of defaults. One member of the commission did express the opinion that every adult is responsible for his or her own maintenance.

Commission proposals

When developing its proposals, the commission considered the experiences of neighbouring countries. It was particularly influenced by positive results in Sweden and Denmark of grants for adults returning to education to obtain missed school qualifications or to study further, and by the French scheme for compulsory employer contributions to training, particularly for temporary workers, and the new continuing training law in France which ensures employees can take 20 hours in continuing training courses per year.

The following explains the commission's proposals in detail:

- 1) Taking the positive Swedish experiences as a model, training costs and maintenance should be provided in the form of grants and loans for all adults of limited means who return to education to gain academic or vocational qualifications, including those over 30 years of age. The proposed new tool should be integrated into the AFBG ('Meister-BAföG' or 'Master Craftsman Grant') as part of a *Erwachsenenbildungsförderungsgesetz (EBiFG)* (Adult Education Funding Law). State support will be directly proportionate to commercial interest in the specific training measures (Fig. 2). In the long term EBiFG and BAföG funding should be combined under a single, unified *Bildungsförderungsgesetz* (Education Funding Law). The practice of using parents as middlemen for educational funding should be replaced by direct payment of grants to learners. This concept is based on the notion of an independent, adult learner who is no longer considered a child up to the age of 27. All payments should be harmonised and conform to uniform criteria. The federal government should be given the powers to make the general rules for lifelong learning. This proposal can be implemented gradually (structure of funding options, cf. Fig. 3).
- 2) *Länder* and municipalities should continue to guarantee comprehensive *basic assistance with options for general, political and cultural training*. This includes a structured system for assisting adults to catch up on missed qualifications, helping recent immigrants integrate and acquire language skills and encouraging people to gain international skills (knowledge of languages and cultures). *Länder* and municipalities should agree on a specific percentage of their budget which is to be set aside each year for promoting general, political and cultural continuing training.
- 3) State funding based on the 5th *Vermögensbildungsgesetz (VermBG)* (Capital Formation Law) should be extended to cover the possibility of *education savings accounts*. This should encourage previously educationally deprived persons of limited financial means to

invest a part of their income in their own lifelong learning. Adult learners should also be able to obtain a favourable loan to fund their training. The education accounts can also be structured to allow employers to deposit payments to promote the formation of capital. Such savings schemes should be made attractive to potential beneficiaries by safeguarding them from state intervention.

Academic debate on public responsibility for financing education

For 30 years economists have suggested that public responsibility for financing education depends on making a case for yields and benefits. The general argument is that education leads to considerable social benefits which far outweigh private gains. This results in problems of supply, since society benefits more than private individuals, yet demand is governed by private requirements. The literature claims that basic education achieves the greatest social value and that community benefits decrease with the duration of continuing education. Scholars conclude that state subsidies should be restricted to basic education up to a specific level to be determined by society and that beyond this individuals should bear the costs of their own training. They do concede that individuals may have difficulty financing their own learning, since the loan market cannot be viably applied to education. Unlike tangible assets, human capital is not acceptable as collateral, and commercial banks do not award loans without such collateral. Therefore there is a consensus that the state must bridge financial gaps by providing loans. Unfortunately, opinions on the extent of social benefits vary widely and the evidence is contradictory. Moreover, this evidence cannot be quantified. Ultimately, the state is free to decide whether individuals' stakes for private educational returns should be in the form of fees, student loans or progressive taxing of graduates.

The commission tends to the belief that public responsibility cannot be derived from economic reasoning alone, but that it is determined by political values. The state is free to make its own decisions when defining exactly what constitutes a public obligation and which tools to use. Individual contributions could be made before training in the form of fees or afterwards in the form of progressive taxing.

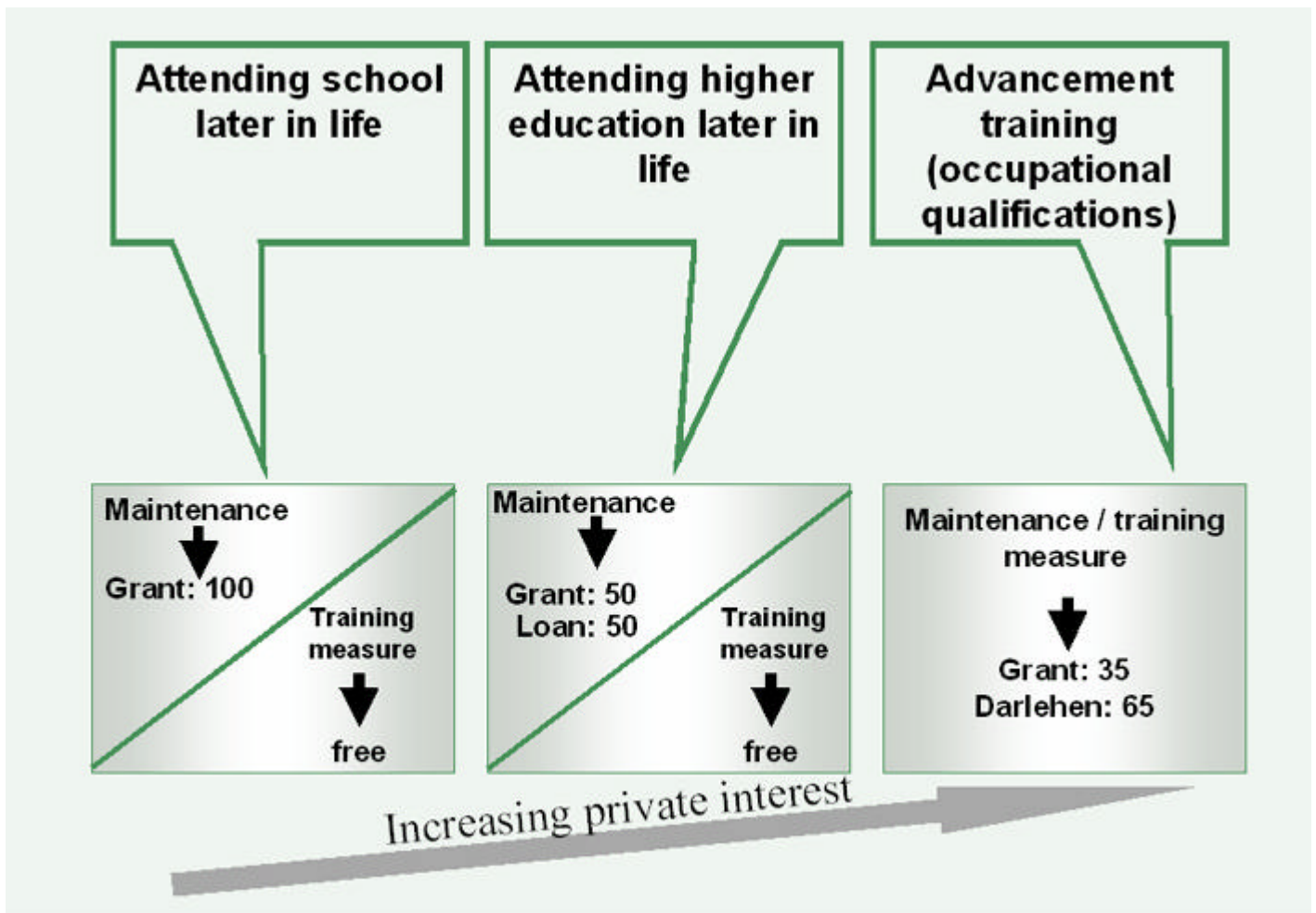
Source: Expert Commission (2004)

- 4) Companies are ultimately responsible for financing corporate continuing training. However, the state can improve the *framework conditions*. Agreements between the social partners on corporate training-time accounts should be made more viable by introducing legal regulations on insolvency insurance for credit balances, downstream taxation on deposits and a generally binding voluntary declaration on employer contributions, like in the construction industry. As in Denmark, Sweden and France, employees should be granted the right to return to their jobs after taking time off to attend training courses. To warm small and medium-sized enterprises to the idea of continuing training, a system of corporate training vouchers could be tested, based on the British model. Given the high labour market risks of temporary workers, the French model of employers contributing 1% of salaries into a training fund could be introduced. The allocations would be channelled into a fund managed by the social partners and used for continuing training in periods between placements. Higher wage costs for temporary workers would be offset by their enhanced skills. Two commission members rejected the last proposal.
- 5) The commission has not proposed any age-specific labour market policy tools for promoting education. The Job-Aktiv Law (supporting over-50s in small businesses) has demonstrated that similar tools are under-utilised, since they are applied too late. The appropriate answer to this demographic challenge is preventive continuous training. The

Federal Labour Office should make greater efforts to *promote continuous training as a preventive measure* against the unemployment risk faced particularly by unskilled and semi-skilled workers (Figure 4). It should not only promote training measures that end with a certificate, but also recognised modules which ultimately lead to obtaining the same qualifications. The attempts of the unemployed to improve their chances through training should also be supported by not subtracting training time from the maximum time allowed for receipt of unemployment benefit. Currently the Federal Labour Office only supports training measures that require a re-employment rate of 70%. To avoid selection that disadvantages the low-skilled, the continuation rate should be more flexible.

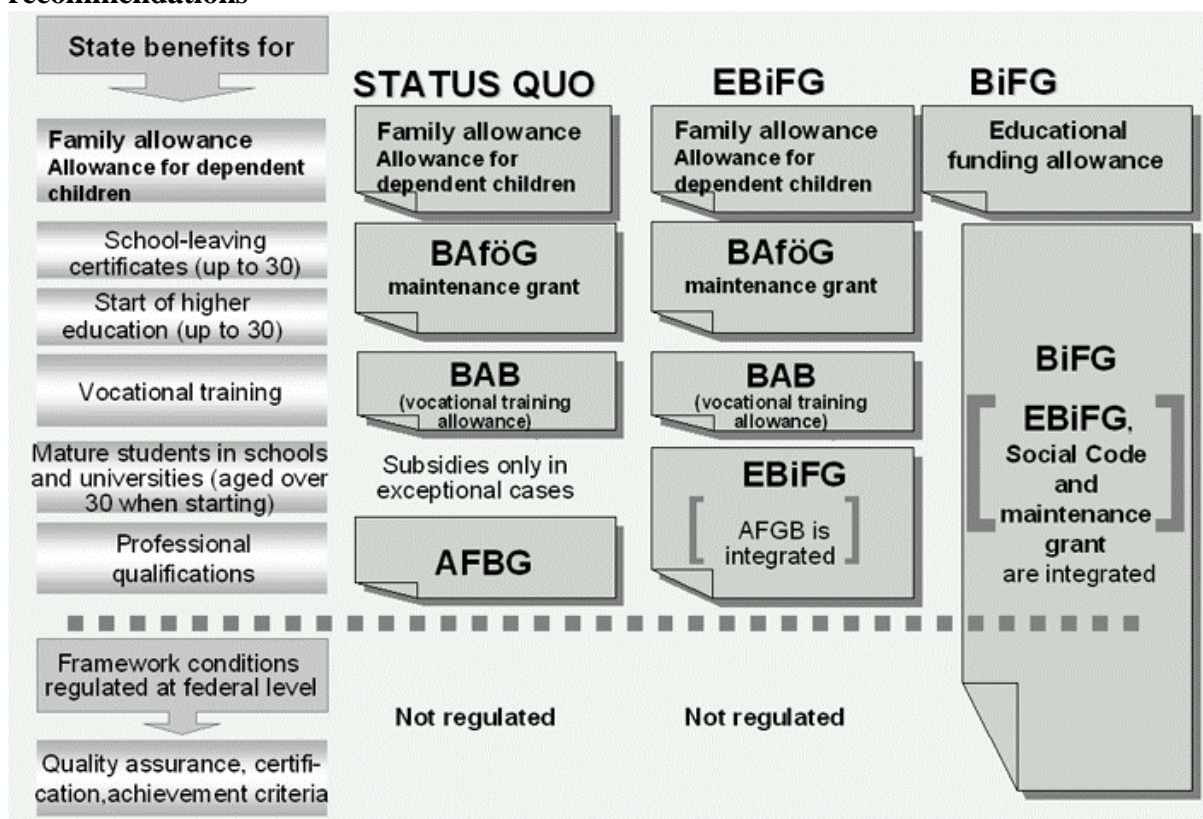
- 6) Recent immigrants should have the *legal right and duty to attend integration courses*. Long-settled foreigners and ethnic German immigrants from the former Eastern bloc should also be given the opportunity to participate in integration courses. Quotas will be determined by the capacities of public funds. Young refugees should receive a work permit allowing them to embark on a training course within the dual system.

Figure 2: Gradation of financial support according to public and private interest



Source: Expert Commission

Figure 3: **Public subsidies for maintenance. Status quo compared to the commission recommendations**



Source: Expert Commission 2004

Supporting measures necessary

The commission believes that money alone is insufficient incentive to train. Training options should be made more transparent and individuals should be offered improved counselling. In addition, accepted ‘paths’ through the education system should be created by developing recognised continuing training modules and qualifications which harmonise with the reorganisation of occupations, and by introducing nationally recognised training certificates. Further central framework conditions are the *establishment of certification processes for recognising informally acquired skills which have the same value as qualifications obtained through school or professional training*, continuing training options for adults which are flexible in scheduling and content (modularisation), learning-conducive work organisation forms, and the appropriate labour market policy and product design as incentives to learn. Further research into lifelong learning will enable scholars to evaluate experiences and further develop tools. Parliament will have *legislative powers* supplementing those normally reserved for the *Länder* to decide basic conditions for lifelong learning (counselling, learning profiling, certification, quality assurance, recognition of informally acquired skills), since a unified national labour market precludes regulation at *Land* level.

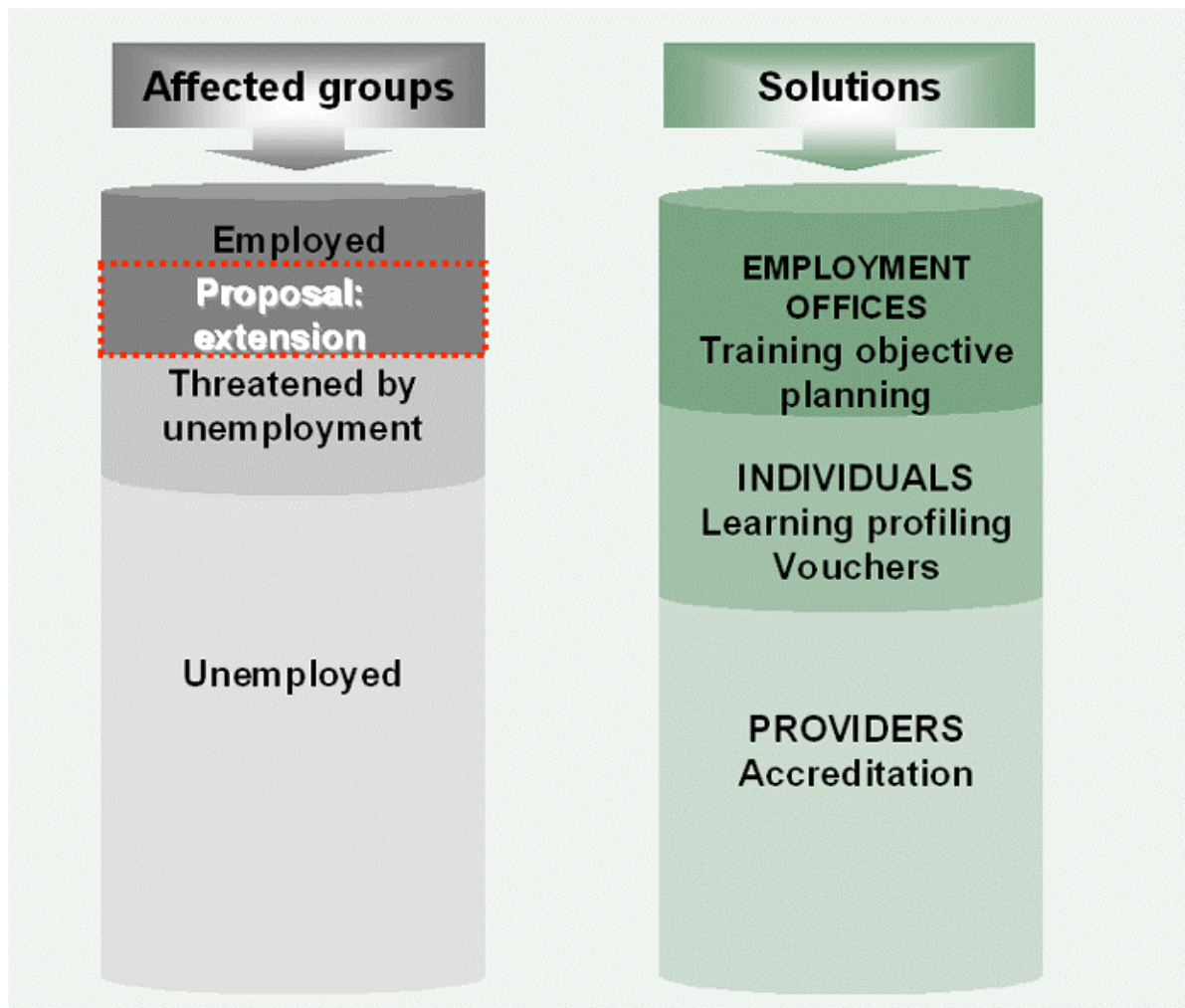
Package proposals to be implemented step by step

The commission has bundled its proposals. Individual elements cannot be removed without fundamentally altering the entire structure. It should be possible to pool resources from numerous different sources. For example, unemployed people should have the opportunity to

interrupt their maximum period of unemployment benefit in order to acquire a school-leaving certificate with funding made available by the Adult Education Promotion Law (EBiFG). This qualification would enable them to participate in vocational training measures organised by the Federal Labour Office. Arrangements like this should be tested and subsidised. The tools proposed by the commission can only work if they are fully integrated into an education-friendly environment. Lifelong learning must be encouraged and the achievements of educators acknowledged. Indirect factors like these are often the basis for motivating learners and teachers. The necessary reforms in the education system cannot be introduced if the public questions the efficiency of educational institutions.

However, the proposals are designed to be implemented step by step, taking budget and the political process into account. The commission thus hopes to bridge the gap between short-term, doable measures and orientation frameworks for the long term. These links are particularly crucial in the current economic climate since pressures to save can easily swamp ideas for how to constructively reorganise our education system for future requirements.

Figure 4: Federal Labour Office subsidies for continuing vocational training



Source: Expert Commission 2004

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