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The world of work is changing. OECD economies have experienced a significant structural shift in employment from manufacturing to services and the share of non-standard contracts has risen in a number of countries. These changes are reinforcing the need for greater reskilling and upskilling opportunities, at a time when traditional training measures are failing to reach those who need them most. There has been a renewed interest by policy makers in individual learning accounts as a way of tying training rights to the individual rather than to the job. While, to date, only one country has implemented such a scheme, lessons can already be learned from this experience as well as from other, related, individual training schemes. While in principle individual learning accounts present attractive features (e.g. giving individuals training rights as well as empowering individual choice), their effectiveness depends critically on their design. In particular, there is a risk that, if badly designed, they may widen participation gaps between over- and under-represented groups.

The features of a well-designed individual learning account include: simplicity; adequate and predictable funding; greater generosity for those most in need; provision of effective information, advice and guidance; a guarantee of access to quality training, and explicit account of the links with employer-provided training.

A changing world of work - A renewed interest in individual learning accounts

The share of non-standard contracts has risen in a number of OECD countries and many workers face more fragmented careers than before, with more frequent moves in and out of work as well as between different employment forms (OECD, 2019). These trends have raised concerns amongst policy makers that many of these workers are not adequately covered by labour market and social protections. One such concern relates to training, as non-standard workers tend to be less likely to participate in training than workers on standard contracts. This new challenge to training participation comes at a time when OECD economies are undergoing significant structural change. In particular, the share of high-skilled jobs has risen by 25% over the past two decades, and workers are remaining longer in the workforce. Consequently, training opportunities to reskill or upskill need to be reinforced.

These challenges have led policy makers from across the OECD to search for new solutions to the challenges set by the future of work. In the area of training, Individual Learning Accounts (ILAs) have received renewed attention. When originally introduced in the 1990s, their main objective was to **boost individual choice and responsibility with regards to training**. Providing an individual with funds to “shop” around for training in a “market” with many competing providers was intended to improve both the quality

and relevance of training provision, and to improve the efficiency of providers.

Another attractive feature of individual learning accounts that has become increasingly relevant is their ability to **make training rights “portable” from one job or employment status to another**. Training rights are tied to the individual and no longer to a specific job or employer. In this sense, they represent an interesting tool in a world of work where careers are becoming more fragmented for many workers. In particular, the French *Compte Personnel de Formation* (CPF) is frequently cited as an example of an interesting new approach which could boost training participation in a new world of work (Box 2).

Yet relatively little is known about the functioning and performance of individual learning accounts. More broadly, while they are often sold as a panacea to respond to these new challenges, research on the topic is relatively scarce and often dated.

The OECD’s report on *Individual Learning Accounts: Panacea or Pandora’s Box?* helps to fill this knowledge gap. It reviews the experience with past and existing individual learning schemes (Box 1) through a series of case studies and a literature review. This brief highlights the report’s key lessons and guidance for policy makers interested in setting up an individual learning scheme (ILS).

Box 1. Individual learning schemes (ILS): A typology

The report examines schemes which provide an individual entitlement to training. These schemes cover individual learning accounts, but also other individual schemes to finance training which can provide lessons for individual learning accounts. Three categories of individual learning schemes are distinguished:

- **Individual Learning Accounts** are virtual individual accounts in which training rights are accumulated over time. They are virtual in the sense that resources are only mobilised if training is actually undertaken. The only real example of an Individual Learning Account is the French *Compte Personnel de Formation* (CPF), which is currently undergoing significant reform.
- **Individual Savings Accounts for Training** are real, physical accounts in which individuals accumulate resources over time for the purpose of training. Unused resources remain the property of the individual and, depending on the scheme, may be used for other purposes (e.g. retirement). A few such schemes have been implemented in the past, generally at a pilot scale (e.g. learn\$ave in Canada or the Lifelong learning accounts in the United States)
- **Training vouchers** provide individuals with direct subsidies for training purposes, often with co-financing from the individual. They do not allow for any accumulation of rights or resources over time. This is the form of individual learning scheme most frequently implemented. While many individual learning schemes are called “individual learning accounts”, most of these schemes actually function as vouchers.

Panacea or Pandora’s box?

Individual learning accounts present attractive features, but are unlikely to be a panacea to the challenges arising in the new world of work. Rather, like any other training measure, they may represent Pandora’s box once examined in more detail. They can be helpful in tackling some challenges, but there needs to be a clear understanding of their strengths and weaknesses, and there are important design issues to consider. Policy makers interested in setting up an individual learning account need to consider a number of important questions and trade-offs. Thus, while an individual learning account will not solve all problems, a well-designed programme can help countries achieve better training outcomes.

Targeting helps to reduce deadweight loss and increase participation among the low-skilled

Individual learning schemes have a poor track record as far as participation of the low-skilled is concerned. Higher-skilled individuals tend to be over-represented in the take-up of these schemes. This is an issue observed for access to training in general, and a lack of data makes it difficult to establish whether this is more pronounced among ILS participants. However,

this appears to be the case at least in France, where the difference in participation between higher-level occupational groups (managerial/professional occupations) and lower level occupational groups (blue collar workers and low-qualified white collar workers) is much higher for the CPF than for training in general. This is likely to result in significant deadweight loss (i.e. where public money is spent on funding training for individuals who would have pursued the training regardless of the public support).

Targeting the schemes to the low skilled or those on low incomes can help narrow such participation gaps. However, targeting may increase administrative burdens (and therefore harm participation). That being said, the use of new technologies and/or basing eligibility on existing means tests (e.g. those related to social benefits) can alleviate this problem.

Another disadvantage of restricting schemes to certain groups is that it reduces the portability of rights. To overcome this problem, an alternative would be to provide higher amounts of support to the targeted groups. In France, for example, the low-skilled accrue training rights faster than other groups. For this to be manageable, however, differentiation needs to remain simple.

Funding should be substantial if the account is expected to make a significant difference to training outcomes

Most existing schemes provide relatively small amounts of money, which means that, in practice, participants can only undertake short-duration training programmes. Small sums of money can help individuals to acquire skills incrementally, thus allowing gradual progress in a given job or profession. But more substantial support is needed for individuals wanting/needing to achieve significant up- or re-skilling (although higher levels of support also increase the risk of large deadweight losses).

One of the largest costs of undertaking training is often the earnings foregone while training. To achieve a substantial increase in qualification levels, income support during the training period should be provided. Allowing individuals to combine the support from individual learning schemes with other types of training support (in particular paid training/educational leave, as is the case in Flanders, France and Upper Austria) is therefore a good idea.

Breaking learning programmes up into self-contained certified modules which allow individuals to gradually build up credits and qualifications over time, as done for example in France and in the United States, can also help. Co-financing requirements, which are a feature of many schemes, might also make sense in the case of high-skilled, high-income individuals, but are not advised in the case of low-skilled, low-income individuals, who will be put off by such requirements.

Individual learning accounts should be kept simple in order to maximise participation

Training schemes that are complex to navigate will harm participation, particularly among the low-skilled and other under-represented groups. In France, the complexity of the CPF in its first phase of implementation (2015-18) meant that the actors involved (funders, firms and training providers) needed some time to understand and learn to navigate it, and this lowered participation. Complex financing arrangements and fragmented governance made it difficult for individuals to understand and take up the scheme and led employees to rely on their human resources department and jobseekers on the public employment service for assistance. The recent reform of the CPF aims to simplify the procedures involved, notably by reducing the number of actors involved and making the dedicated website more user-friendly.

Well-designed and user-friendly websites, like the ones in the Singapore, Scotland, and the United States schemes, are instrumental to promote users' autonomy. On the other hand, full digitalisation of processes (i.e. relying exclusively on the internet for managing applications etc.) risks excluding those who are not internet savvy and, therefore, the least skilled. It is important either to provide an alternative way of applying – e.g. through a paper application as in Upper Austria or a hotline as in Singapore – or to provide face-to-face assistance to individuals when they apply via internet, as in the Geneva region.

Individual learning accounts need to be accompanied by other measures to boost participation among under-represented groups

The available evidence suggests that it is not easy to use individual learning schemes to increase participation among under-represented groups: even when participation is conditioned on education level or income, participation among the most disadvantaged groups tends to be low.

Financial barriers may be part of the story. Co-financing requirements, when present, can hamper participation for the most disadvantaged groups. The tipping point is likely to vary across individuals, which makes it difficult to formulate recommendations on the desired level of co-financing. But the lack of replacement income when individuals take time off work to participate in training is likely to be an even stronger barrier for the most disadvantaged. In France, for example the provision of a replacement income to temporary agency workers during their training period has probably been a key determinant in explaining their higher participation rates in the CPF compared with other workers.

However, training barriers faced by under-represented groups often go beyond a simple lack of finance. Many of them have had a negative experience with initial education and may be

reluctant to go back to classroom-based learning. In addition, individual learning schemes rely on the ability of participants to anticipate and plan for the future and to navigate the scheme autonomously. Such skills might be lacking among individuals in the target group. As mentioned above, schemes need to be simple to navigate, but individuals (and the most disadvantaged in particular) will also need effective face-to-face information, advice and guidance to enable them to convert their training rights into valuable training outcomes. In practice, few schemes have their own counselling services and access to counselling services more generally also appears to be lacking. Easy and widespread access to good information, advice and guidance, although expensive, is essential to limit the bias in access.

Guaranteeing training quality is even more important in the case of individual learning accounts

Quality assurance has been proven to be a critical pillar of successful training systems, but it becomes even more important in the case of individual learning schemes. This is because individuals face a strong asymmetry of information vis-à-vis suppliers with regards to training quality, and they have little or no capacity to negotiate prices (or other training aspects) with the provider.

While quality assurance frameworks have rarely been set up specifically for individual learning schemes, the creation of such schemes has frequently resulted in accelerating their implementation. The main instrument used by countries to ensure training quality is the certification of training providers. A trade-off exists between the strictness of the certification process and the ease of entry to the training market. For example, to ensure financial stability and avoid the creation of “false” training providers intent on fraud, Scotland requires training providers to have at least two years of activity to be certifiable. As shown in the case of the French CPF, avoiding the proliferation of different certification labels is also important to harmonise practices among providers and to help individuals find their way.

Restrictions on the type of training that can be acquired can also help improve the effectiveness of individual learning accounts in terms of labour market outcomes of individuals. Indeed, many schemes restrict training to skills that are in high demand in the labour market. At the same time, it is good practice to allow individuals to choose training which is not just related to their current job, but also training that enables them to change career and pursue opportunities elsewhere in the labour market.

The way individual learnings accounts are financed has important implications for redistribution and the predictability of funding

The higher individual saving or co-financing requirements are, the less redistributive individual learning accounts will be. In terms of the source of public funding, tax-financed schemes are more redistributive (to the extent that the tax system is), but the experience in Upper Austria, Scotland and the United States shows that it makes the scheme very sensitive to budgetary constraints and therefore funding becomes less predictable over time. Financing the account through a training levy, as in France for example, has the advantage that funding will be earmarked, and it allows some mutualisation at the same time.

The link with employer-provided training needs to be taken into account

Existing individual learning schemes differ in the way they co-exist with employer-provided training. Most schemes explicitly exclude a link between the two types of training, with the focus being on individual autonomy. Some schemes, and in particular the French CPF during its first implementation phase, do allow for a complementarity between the two types of training provision. Regardless of whether it is desired or not, there will often end up being an interaction between an individual-based scheme and employer-provided training, and it is important to consider this at the design phase.

The frequent use of ILS in France and in Scotland to finance quasi-mandatory training programmes which provide certificates required to work in certain sectors highlights the risk that they partly remove the responsibility of training from employers. It is an issue whether such type of training should be allowed in individual learning accounts.

One advantage of individual learning accounts is that they give individuals more autonomy regarding their training decision and, in the case of employees, make them less dependent of their employer. But to the extent that employees have the choice of informing their employer about their training or not, providing a possibility to seek complementary funding from their employer – and thus undertake more significant upskilling – can only be beneficial. Undertaking training when working full-time is certainly challenging, and there is evidence that the working environment in the firm (e.g. the availability of training opportunities, information on training, opportunities for horizontal and vertical mobility, the recognition and valuation of skills acquired through training) plays a significant role in motivating workers to undertake training. Although the fragmentation of careers is on the rise, employers continue to play a crucial role which should not be neglected.

Box 2. The French *Compte Personnel de Formation*

The CPF was created in 2015 and is currently undergoing a significant reform that should be completed by the end of 2020.

In the CPF, training rights are accumulated over time. Initially, these rights were measured in of hours of training but, since January 2019, the unit of measure has become monetary (Euros). Training rights are accumulated at two different rates, depending on the initial level of education of the individual. Individuals with at least a lower secondary degree accumulate EUR 500 per year, capped at a maximum of EUR 5 000. Individuals who do not have a lower secondary qualification are credited EUR 800 per year up to a maximum of EUR 8 000. In addition, from 2020 onwards, a CPF de transition will provide higher support – including income support –for individuals requiring professional retraining.

The CPF was initially available to employees and jobseekers only. Since January 2018, the self-employed are also covered, but in practice they have not yet started to use the scheme.

For jobseekers and employees, the scheme is financed through a compulsory training levy on firms equivalent to 0.2% of gross wages. Self-employed contribute 0.2% of turnover to a training fund. Up until December 2018, training funds - also financed by the training levy - could complement funding of training undertaken by employees via the CPF. *Pôle emploi* (the French public employment service) and the regions can also complement funding for training undertaken by jobseekers.

Credits can be used to pay for training fees of programmes that are required to deliver a certificate (*certification*), i.e. be registered at the *Répertoire national des certifications professionnelles* (RNCP) or at the *répertoire spécifique*. Skill assessments (*bilan de compétences*), actions for skill recognition, driving licenses, and training for business creation can also be covered.

Participation in the CPF has increased continuously since its creation in 2015, but it remains limited, at 2.1% of the labour force in 2018. Training programmes undertaken are mostly non-formal.

References

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