

WHO PAYS FOR LIFELONG LEARNING?

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The combination of economic globalization and the diffusion of technology into the workplace has forced both employers and employees to come to grips with the need for continuous up-grading of workforce skills and competencies. But the realization that lifelong learning is necessary raises a more difficult question – who pays?

Americans have committed to retirement security through social security, IRAs, and pension funds. We pay billions of dollars in tax expenditures for employer provided health care benefits, and we have even devised plans to pay for our children's college costs. ***Yet there is virtually no public support available to up-grade the very asset that creates the wherewithal to fund retirement, health care, and college costs – the incumbent workforce.*** Based on its practice, CAEL, which operates individual accounts in the private sector, believes that Individual Learning Accounts (ILAs) offer an excellent model for financing lifelong learning. This year alone, CAEL will handle accounts for about 39,000 working adults distributing between 50-60 million dollars. . . When accompanied by appropriate information and counseling, our experience shows that these accounts allow both companies and employees to strategically and effectively plan their education and training activities.

Technology and globalization tend to alter the relationship between worker and employer in two senses. On the one hand, they raise the bar on the qualifications for employability and, on the other, they sever the tie between incumbent employee and any given employer. The consequence is a growing contradiction between the needs of both companies and workers for up-grading workforce skills and the resources available to pay for it. More and more, workers have to rely on their own resources to upgrade their skills. At the same time that the demand side is raising the bar on the qualifications for employability, the supply side is undergoing a dramatic transformation. New entrants are offering to provide education and training in heretofore non-traditional ways, simultaneously technology is permitting the delivery of services anytime, anywhere. The combination of demand side and supply side changes will inevitably force existing institutions and structures to change.

If incumbent workers are facing a squeeze between their need for learning and their ability to pay, the poor are facing a crisis. There is mounting concern in the country about the emergence of a new "other" America comprised of the working poor and the lower middle class poised on the brink of poverty. Others talk about the "income gap," the growing disparity between rich and poor. The gap appears to be widening, as does the fissure between those with and without adequate education.

The combination of higher requirements for employability and the declining access of larger portions of the population to lifelong learning opportunities is creating more people at greater risk of permanent, structural poverty. The problem is exacerbated by welfare reform. In the best case, welfare reform will have transformed welfare recipients into the working poor – most often stuck in dead-end, entry-level jobs and without public support for upgrading their skills and emerging from poverty. They join the bottom layer of the incumbent workforce. At the same time, dislocated and unemployed workers and those on welfare who receive their training through publicly-funded subsidies can anticipate further cutbacks of the public workforce development system.

For over a generation, the public secondary school system has produced graduates who are less qualified than those of our major competitors. If this deterioration continues, the nation runs the risk of losing its lead in productivity and innovation. By the year 2000, 70% of jobs in America will require some technical education beyond high school but not necessarily a traditional four-year college degree. Yet more than 50% of African-American inner-city residents lack a high school diploma: of these, about one-third are working. Among inner-city whites without a high school diploma, fewer than 60% are working. One possible response to these changes is to redouble efforts in elementary and secondary schools to build the skill levels of new entrants to the labor force. However impor-

tant these efforts may be, they cannot be sufficient, because a large proportion of the future workforce is already out of school and working.

At the same time, it is generally recognized that we are experiencing a qualitative change in the provision and delivery of post secondary education. Not only is the Internet breaking the link between time and place, so that learning can take place anytime and anywhere, but also new entrants are coming from virtually everywhere into what is now an education and training marketplace. There are corporate universities that eschew traditional higher education to offer their own course selections. There are private, for-profit providers like the University of Phoenix with lean, focused operations. And, as demographer Harold (Bud) Hodgkinson has observed, on any given weekday, there is more learning going on in hotel seminar rooms in any large city than in its colleges and universities. Competition for the education and training dollar is emerging from substitute products as well. For example, the newly formed Community Learning and Information Network (CLIN) already lists over 400 commercial courseware products in its catalogue. If direct competition were not enough, traditional educational institutions are losing their monopoly on credentials. For example, a Certified Network Engineer (CNE), which is a designation created by Novell independent of any accredited academic degree, is a widely accepted credential by employers nation-wide as qualifying the holder to a well-paying, responsible position.

These separate phenomena are ingredients of what will inevitably be a transformation of the way learning is provided. Individuals and companies will have a complex array of offerings to choose from as they seek to keep pace with the changes wrought by the information age. They will be forced to become sophisticated consumers of educational opportunities and prudent investors of their time and money. In other words, all of us will be navigating an education and training marketplace unlike anything we have previously experienced.

As with any marketplace, the question is not only what you will buy, but how will you pay for it? It is generally recognized that government support for education and training is more likely to decline than expand. Currently the public sector provides very little support for incumbent workers as it is. So, if additional resources are to be devoted to upgrading the skills of the incumbent workforce, they ultimately must come from the private sector and from the individuals involved. The way we currently finance workforce education and learning is already both outmoded and inadequate. Even the most socially responsible corporations, those who recognize their workforce as a major asset in the struggle for competitiveness, often devote more than 70% of their budgets for education and learning to middle and upper-level management. Small and mid-sized firms that recognize the necessity for educating their employees (as many do) often lack the resources to do much about it.

An effective system of financing workforce development in the future will no longer be based upon a single employer and therefore must be portable. It must allow for informed choice by customers (companies and employees) in the complex new marketplace of education and learning providers that is emerging. It must be universal, so that as people go through periods of employment, unemployment, and self-employment, they have a way to prevent the interruption of their learning; and it must include the active participation of both employers and employees.

In summary, a new system for financing lifelong learning for adults must meet the following criteria:

- Be *market based* and not driven by specific education providers nor employers;
- Provide for *universal eligibility* and not be limited to targeted populations;
- Be *portable*, and not tied to a specific employer;
- Encourage widespread *employer and worker participation*;
- Provide for excellent *consumer information* that can support learners in making informed choices about education and learning alternatives.

The evolution of the pension system is a useful example of the way financing lifelong learning could develop. Until recently, pensions were based on defined *benefits*, whereby an employee was promised that for a given number of years of service with an employer at a given wage, he or she would receive a defined monthly pension benefit

upon reaching retirement age. This model is now more the exception than the rule. The rule is an employer's defined *contribution* into a 401k, Keogh or other IRA plan. Often the employee chooses both the form of investment and the fund manager and accepts responsibility for the outcome. The pension system is moving in the direction of offering the employee both choice and portability. Keogh's, 401Ks and IRAs are tied to the employee not the company and can be transferred as an employee changes employers or becomes self-employed. An ILA could be like an IRA, where both the employee and employer contribute. The employee's contribution would be in pre-tax dollars (just like health care premiums) and the employer's share would count as a business expense or could be further encouraged by offering employers a tax credit in the amount of their contribution. Such a structure could easily accommodate public sector contributions as well, for example if an individual were laid off and eligible for dislocated worker funds. It could be administered by any of the companies that currently offer IRAs. The advantage of this method is that it would build upon an existing private sector administrative infrastructure not create a new, government program. If a significant number of employers and individuals chose ILAs, there would be sufficient demand for consumer information to encourage either government or independent intermediaries to provide it.

While the IRA model is a promising alternative, it is not without drawbacks. An individual would have to accumulate funds for some time before having a sum sufficient to pay for significant education or training. Much would depend on how large the employer contribution would be, and that might depend on conditions in the labor market. A number of other variations on the ILA concept are possible. If it were modeled after a health insurance policy, where premiums are amassed and just a percentage of the insured utilize the services at any given time, you could overcome the need to accumulate before you matriculate. Since not everyone will enroll in education or training at the same time, this model could permit some to enroll immediately. Another variation is a loan fund or credit card, which would advance the tuition funds and use the employer and individual contributions to repay the principal, interest, and transaction costs.

The prospects are improving that various versions of individual learning accounts will be tried. The recently passed Workforce Investment Act has a provision that one-stop career centers offer Individual Training Accounts (ITAs) to certain classes of job seekers (dislocated workers, the disadvantaged) and to provide them with information, including consumer reports, about prospective providers. Far-sighted career centers that seek to attract more skilled workers into their job match system could offer consumer feedback and performance information to the general public in addition to their ITA-eligible population. Consumer information is a critical element of the infrastructure necessary for empowering individuals to make informed decisions. Government can play an important role in building this infrastructure and making it universally available.

CAEL maintains a strong interest in ILAs because we believe that they offer a way to combine employer investment in education and training with learner choice in a manner that corresponds to the structural changes on both the supply and demand sides of postsecondary education and training.