

A black and white photograph of two women in a professional setting. One woman is seated at a desk, looking at a laptop screen. The other woman is standing behind her, leaning over and pointing at the screen. The image is partially obscured by a large red and teal geometric shape on the right side.

# High-level forum on individual learning accounts Online Conference

# Costs and benefits of individual learning accounts

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# Current situation and reason to invest in life long learning

- Rising inequality: skills obsolescence is higher among lower skilled, investment in learning is lower among lower skilled – as a result of technological change and sector shifts in demand
- Unequal opportunities: More means available and more willingness to invest in higher skilled among employers and workers – as a result of types of contract and specific skills
- Problems with policies: Current policies face large deadweight losses because means are used by those who would educate themselves anyway – e.g. voucher programmes often used by higher educated who would educate anyway
- Low incentives: Lower educated are less willing to invest because of negative learning experiences in the past, short-sightedness, too low and uncertain payoffs – types of training supplied do not fit demand

# Complement private initiatives

## Two problems

- Deadweight loss in public policies and low returns on investments (these are related problems)

## Types of education

- Short courses and specific investments can and should be paid for by employers and employees as part of the match
- Substantial training and education to foster societal and technological change mitigate market failures in the quality and quantity of labour supply

## Towards a solution

- Learning accounts owned by workers can be used to foster transitions
- Specific design mitigates deadweight, increases returns, reduces inequality and incentivises participation in learning

# Mitigating failures – an alternative model

## Idea

- Group: private lower educated workers with means to educate (mitigating inequality/deadweight loss)
- Funding: public and private sources (mitigating deadweight loss and target schooling)
- Use of funds: workers own accounts and select into programmes
- Returns: develop a (private) flexible market for education to increase returns

## Model

- A simulation model for the Netherlands shows a positive business case for such a model
  - Costs of learning accounts are met by higher income taxes and higher rates of participation
  - Substantial take up by lower educated reduces benefits, but lowers inequality (in terms of annual income)



# Thank you!

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Online Conference  
4 - 5 March 2021

