

# *Economic Stimulation of Demand in the Market of Adult Education*

## *Ekonomické nástroje poptávkové stimulace na trhu dalšího vzdělávání dospělých*

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### **Abstract**

Permanent development of knowledge is one of the preventive tools in the fight with the current problems of rising unemployment and poor facilities knowledge of an aging workforce. Continuous improvement of skills helps to maintain and to return the workforce to the labor market and to move between different working positions with the necessary skills. Active access of adults to the further education is influenced by a number of factors. The financial costs of further education are one of the major barriers to active participation of adults in further education. The present paper is devoted to an analysis of various supporting financial instruments focused on demand-side in the market of adult education, especially the individual demand for educational activities of citizens, employers and other interest groups. Processed analysis gives a detailed description of characteristics and mechanism of support instruments, the main risks and benefits associated with implementation of these tools.

### **Keywords**

human resource development, adult education, financial support for training

### **Abstrakt**

Permanentní znalostní rozvoj patří k preventivním nástrojům v boji s aktuálními problémy narůstající nezaměstnanosti a nevyhovující znalostní vybaveností stárnoucí pracovní síly. Neustálé zdokonalování dovedností napomáhá udržovat a navracet pracovní sílu na trh práce a formovat její schopnosti přecházet mezi pracovními pozicemi s odlišnými požadavky na potřebné dovednosti. Aktivní přístup dospělých k dalšímu vzdělávání je ovlivněn celou řadou faktorů. Výrazně negativně je v postojích dospělých – jako jedna z hlavních překážek aktivní účasti – hodnocena finanční nákladnost dalšího vzdělávání a pro usnadnění přístupu k dalšímu vzdělávání je požadováno její snížení. Předkládaná práce se proto věnuje analýze rozmanitých podpůrných finančních nástrojů poptávkové strany trhu dalšího vzdělávání, tedy především individuální poptávky po vzdělávacích aktivitách ze strany občanů, dále zaměstnavatelů a ostatních zájmových skupin. Zpracovaná analýza podává detailní charakteristiku mechanismu fungování jednotlivých podpůrných nástrojů, hlavních rizik a přínosů spojených s implementací nástrojů.

### **Klíčová slova**

rozvoj lidských zdrojů, další vzdělávání dospělých, finanční podpora vzdělávání

## Introduction

Education - as well as other activities - requires adequate financial resources. The financial intensity of education and availability of funds are one of the critical factors of further adult education. In addition to lack of time adults consider the financial costs associated with education as the main barrier of their further education. And within the financial constraints there are primarily indirect financial costs, which discourage people from continuing education. The reduction of income, which also means, even temporary, restrictions in the quality of life, plays negative role in their decision-making about the participation in the educational activities. Due to the long-term implementation of educational revenue this is very strong barrier of participation in further education because of costs in the form of a transitional decline in standard of living can not be immediately compared with the expected revenues, which are implemented in the future, a longer period. If individuals are not sufficiently convinced of the profitability of long-term investment, they will consider reduction in the current standard of living as negativity and they will prefer to avoid this activity.

### 1 Financial resources

The increasing education expenses raise the need to involve funds of all subjects receiving educational returns and so financing of education must become multi-resources. It is essential to ensure a considerable range of funds coming from public and private sources.

Public funds are primarily intended to promote and develop adult education. In particular they can be allocate on financial aid to cover the costs of education, whose beneficiaries can be individuals, employers, training providers, non-profit and voluntary organizations. Another part of funds can be allocated on security or co-financing of supporting services that facilitate the implementation of educational activities (counseling, information services, nursing services, etc.). In dependence on the objectives of government direct payments of the total costs of adult education may exist and educational activities then may be free for a certain target group, educational field or even all those interested in further education.

Sources of public funds for adult education:

- **tax revenues** - funds paid to public budgets in the overall tax liability
- **specific income tax** - compulsory levies on the income defined for financing of further education. The funds may be kept on a special account of public budget or on separate account in educational fund. Generated resources must be only used to finance training activities.
- **international funds** - financial assistance provided from international supporting programs

Individuals use their private funds on payments of educational costs and other supporting services, which help them with selection of courses and participation in training courses (counseling, childcare etc.).

## Private funds of individuals may include:

### Own resources

- **cash receipts** associated with the exercise of economic activities (employment, business, etc.)
- **targeted savings for education** - the funds are gradually generated by deposit of money and can be used only to finance the educational activities; savings may take the form of voluntary or mandatory savings; only owner of the account has right to dispose with the generated funds that he can only use for the reimbursement of expenses incurred with the further training
- **another capital income** - not primarily guided by the purpose of making the funds to finance continuing education
- Financial aid for education of individuals (for more detailed overview of the various support tools see chapter below)
- **public support** - the means of public budgets
- **private aid** - private funds mostly provided by
  - Employers to employees
  - Trade unions, professional associations to their members Non-profit, voluntary organizations to the target group of citizens (the specific definition of each group can be highly diverse)
  - The international funds

Other sources of private funds represent expenditure of employers for the purchase of external courses or self-financing educational activities. They may also contribute to the training courses that the workers take in their leisure time and on their own initiative. Direct cash costs of employers also include wages of employees studying during working hours.

**Employers** have available the following resources for financing further training of their employees:

### Own resources

- **income from own economic activities**
- **finance purposefully formed for the further education** of employees – employers send a sum of money on the special account established for the purpose of financing further education; creation of special resources may be based on voluntary decision of the employer or is given as a statutory obligation; employers can use means to ensure the educational activities of employees

### Financial support for employers on the education of workforce

- **Public support**
- **Private support** – sponsorship
- **Funds from international subsidiary programs**

The funds of social partners represent further example of the private financial resources. Their resources include contributions from members and income from their own activities. Trade subsidies are provided to members on their education either in the form of direct

payments to individuals or reimbursement of the expenses to educational institutions. Sources of non-profit and voluntary organizations include income from their activities and revenues in the form of grants and donations. Non-profit organizations may give contributions to individuals on financing their educational needs. These organizations support some training providers and other ancillary services too.

Defined manners of creation of financial resources represent number of options of security the funds for financing further education. At the same time, it is necessary to assess their appropriateness in terms of simplicity and the adequacy of security of the required resources.

The advantage of the **tax revenue** is relatively simple mechanism for the acquisition of substantial amount of funds. On the other hand there is a risk of instability means for the financing of education in the case of poorly legislated obligation to pay costs of educational activities from public funds. The funds originally defined for education are among the first resources that are affected by the financial restrictions whenever there is a need to obtain additional resources to cover other better legislatively treated financial obligations. As a consequence of this lack of restrictions funds are transferring in other sectors financed from public funds whose funding is mandatory by law.

**Specific tax** whose income is solely intended to finance further education provides greater stability to ensure a regular sum of revenues. Tax payers may be just employers or employees at the same time. Disadvantages of this tax can be seen in the introduction of additional tax liability and the additional tax burden. But these disadvantages can be deleted within the tax system itself, for example by transferring part of the legal shares of other taxes in favor of "educational" tax. Separation of specific tax revenues from other public budget items will ensure the inability to transfer funds to other areas of funding and transparent management of the funds. In the case of creation special educational fund it is necessary to take into account the additional costs of its creation and operating costs.

Obtaining funds from **international aid programs** is accompanied by demanding administrative procedures. Even in this case is also necessary to dispose with own resources for the purpose of co-financing. The conditions of co-financing often become an insurmountable obstacle for potential aid recipients.

Inadequacy is the main lack of **individuals' funds**. The need to finance a wide range of vitally needed supplies makes these funds outside the area of education. Considerable ignorance about the benefits that continuing education can bring is one of the reasons for the low willingness of individuals to sacrifice part of their funds to finance further education. The main advantages of investing own funds to further education are: yield of investment, inalienability of investment by another person and freedom of choice between the various educational offers.

The creation of private funds through a special **savings** represents the interesting way of securing resources for financing adult education, especially if they are combined with other advantages motivating individuals to set up such accounts. Saving accounts also

contributes to the strengthening responsibility for personal development. On the other hand **security of sufficient resources requires a longer time savings. Due to the requirement of longer-term savings** this method seems less appropriate for the satisfaction of immediate financing needs which in the case of further education dominated. At the same time, voluntary establishing of saving accounts leaves the decision to provide funds for financing further education entirely on the motivation and the financial means of individuals. In this connection but higher interest on saving accounts can be expected from the citizens with better levels of education and financial situation rather than from individuals with low levels of education, although whose participation in further education is in compared with the former group more desirable.

**Financial aid**, whether private or public, certainly brings benefits to individuals in the form of reimbursement of costs associated with education. Problems can be seen in the lower accessibility of support due to lack of information and knowledge of individuals that are necessary for obtaining the assistance. There is therefore a risk that aid will be used by better knowledge equipped individuals and individuals with inadequate education will remain outside this system. In the view of the body granting aid the disadvantage can be seen especially in the risk of abuse of aid and in growing the system costs.

In the case of **own resources of employers** holds nearly the same conclusions as in the case of public funds and own funds of individuals. Education of staff is subordinated to the main objective of business activities. Therefore, in the case of limited financial resources when the achievement of business priority targets is endangered the austerity measures are set up. In the first instance this decision will be applied on the business activities that are not directly associated with making a profit. Unfortunately, into this group is very often wrongly ranked the training of staff. Education is often regarded as a risky investment with a particularly low long-term profitability. This fact does not contribute to an increase in employers' willingness to sacrifice part of corporate resources to this precarious business. Advantages can be seen in the realization of revenues from investment in education and possibility of choice and influence on education activities forms through the financial strength that brings own employer's resources.

**Special fund established** by the employer represents appropriate tool for financing education of their staff, especially if its establishment is compulsory. Its voluntary establishment would depend only on the free decision of the employer with risk of insufficient interesting of employers. If the employer is obliged to regularly pay a certain amount on the special account, he will use these resources solely to the financing of educational activities of employees. The existing resources that are now available to employers forcing them ensure the training of staff. Disadvantage of this tool can be partially attributed to the introduction of the next legislative compulsion, which normally raises the opposition, like any other legally established obligation. At the same time, the special levy is other financial ballast item for the employer's.

In addition to the more demanding administration associated with obtaining and using the **financial aid** provided by other financial entities, this support does not have for the employer further significant disadvantage. On the contrary reimbursement of the costs associated with training staff from external sources represents advantage for the employer.

On the other hand the provider of financial aid must ensure sufficient control of effective spending of financial support.

The following table gives summary of the main advantages and disadvantages of the financial resources for the payment of educational costs.

**Table 1:** The advantages and disadvantages of methods of making financial resources

	Resources	Advantages	Disadvantages
<b>Public funds</b>	<i>Tax revenues</i>	Simple withdrawal of money Obtaining substantial amount of funds	Preference of mandatory expenses Uncertainty of resources Risk of lack of resources
	<i>Specific income tax</i>	Greater stability, security of resources Separate management of funds	The risk of increases the tax burden Additional costs of establishment and operating Educational Fund
	<i>International funds</i>	Access to other resources	Demanding process of administration Requirement of own funds for co-financing
<b>Private funds of individuals</b>	<i>Own income (wages, capital income)</i>	Return of investment Freedom of choice Influence of educational supply	Deficiency
	<i>Savings for education</i>	Strengthening of individual responsibility	Necessity of long-term savings More accessible to better educated and income secured part of the population Less accessible to most needed individuals
	<i>Financial aid (public, private, international)</i>	Support of expenses	Risk of misuse The risk of costly system
<b>Funds of employers</b>	<i>Income from own economic activities</i>	Return of investment Freedom of choice Influence of educational supply	Uncertainty of sources Risk of lack of resources
	<i>Finance purposefully formed for the further education of employees</i>	Special funds using only for educational purpose	Increase in costs Enforced obligation
	<i>Financial aid (public, private, international)</i>	Obtaining additional resources	Risk of misuse Demanding process of administration The risk of costly system

Source: author.

Research projects<sup>1</sup> dealing with the issue of the seriousness of various obstacles that discourage individuals from the further education point to the same causes of insufficient level of adult education. Financial reasons are emerging at the forefront of the “most serious” limitation to which the adults interesting in further education faced. Accordingly lack of resources and difficult access to external sources represent for employers main factors of their insufficient involvement in the education of the employees. There exists means of mitigation of the barriers that would ultimately contribute to greater participation of adults in educational activities. The following text presents and describes measures for support the educational expenses and outlines main advantages and disadvantages that their introduction could bring.

## **2 Demand side financial support**

Supporting financial instruments can be focused on both sides of the educational market. This group of instruments can include offer or demand side financial incentives - tools aimed at the supply side that support educational institutions and the demand side that promote purchasing power of the citizens, employers or other voluntary organizations. Although both directions of support is desirable, the shifting more attention to demand-side of educational market is currently promoting. This is due to the necessity of increased individual responsibility for the development of own knowledge. The aim of this work is to present the characteristics and assessment of existing and most commonly used tools supportive the demand-side market of continuing education.

### **2.1 Demand-side support of individuals**

1. Payments subsidies for educational courses
2. Support of other costs associated with education
3. Compensation for reduction in income as a result of further study
4. Support of the living costs during a period of study
5. Educational vouchers
6. Scholarships, grants
7. Study loans
8. Tax allowance
9. Individual educational saving accounts
10. Paid study leaves
11. Free courses offer
12. Ensuring or extending the range of additional services

#### **1. Payments subsidies for educational courses**

Subsidies are provided directly to adults and they decide about the purchase of specific educational services themselves. Adults can choose, while respecting the legal rules for the use of grants provided, educational courses suited to their individual needs. The aim of the subsidies is to help adults with the payments of course fees.

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1 For example KOTÍKOVÁ; REMR (2007), CZESANÁ; MATOUŠKOVÁ; VYMAZAL (2005), CEDEFOP (2003).

Financial subsidies may come from public budgets as well as from private sources when employers make a financial contribution towards the voluntary education of their employees. Support can be paid on the basis of proof the attendance to the course or after successful completion of course declared by certificate. The funds are intended to finance only accredited courses satisfying the quality requirements. The course costs can be covered fully or partly by subsidies.

Subsidies give learners, in addition to obvious cost benefits, the freedom of choice. Individuals can choose from educational accredited offers the best courses suited to their individual needs.

On the other hand payment of subsidy in cash increases transaction risk arising from the handling of funds (loss, theft of funds) and requires from the recipients greater safety in the handling of funds. The problem is an abuse of the aid by citizens whose use funds wrongly for buying other services and goods instead of education. Disadvantages can be found in limited financial resources for subsidies and the additional administrative burden of public body in conjunction with the subsidies management system, demanding control of the provision of support, securing safe payment and the creation of a sufficiently effective means that eliminate the possibility of abuse. Furthermore, there is a risk of lack of information that individuals need for responsible decisions about their further education. If the financial support is conditional on co-financing the course fees by individuals there will be risk of limited access to subsidies and less involvement of low-income groups.

*In Denmark the unemployed who failed to meet conditions of unemployment insurance are entitled to payment of course fee in the case of full-time accredited courses.*

*In Great Britain persons involved in the government program aimed at encouraging people to work (New Deal) have, inter alia, claim to reimbursement of charges of training courses (in addition to the financial aid, contribution towards the costs of the study materials, transportation costs, equipment costs or costs associated with child care.*

*Finland provides support for education in the framework of active employment policy.<sup>2</sup>*

## **2. Support of other costs associated with education**

Prices of courses are not the only expenses that adults interested in learning need to pay. Education brings additional costs that individuals did not have to pay before the study. The costs increase significantly especially in the case of courses organized on more distance places from the residence or employment of learner. In this case transport costs are higher and longer time spent away from home increases spending on food and the provision of childcare. Subsidies include financial support on transport, food, study material, services and care for children. Alternative solution represents a security of babysitting at moderate charges or free of charge.

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<sup>2</sup> Processed with using information that is available at the website of European Training Village. CEDEFOP. Available at <http://www.cedefop.europa.eu/default.asp>.



The financial resources for these subsidies may come from public funds and resources of employers. While in the case of employers the support of associated costs is limited by the purpose of education that has to be more closely linked to job.

The disadvantage of the tool is the increased burden on the public eventually corporate budgets.

### **3. Compensation for reduction in income as a result of further study**

Temporary loss of parts or the whole of income due to restrictions of the work in favor of further study is a major financial barrier of greater participation in adult education. The purpose of this support is to offset the opportunity costs to adult learners.

Staff can obtain support from the employer in the form of compensation or payment of wages during a period of study. Another option is the supplementary payment of temporary income reduction from public sources.

The advantage is to overcome or at least reduce the negative impact of decline in income of adult students.

The disadvantage is additional financial burden on resources. Staff costs represent for employers one of the most significant cost item. That is way the willingness of employers to use this tool to promote further education of employees will be rather negative. This tool means for employers additional financial burden. They have to pay wages to employees in spite of reduction in their work performance.

*In Finland financial support for adult learners is provided on the condition that they have worked at least 10 years. The total amount of the contribution depends on the length of employment. Each month of employment provides entitlement to 0.8 day of financial support and the amount of the financial contribution is based on previous income before beginning the studies. Basic monthly amount is € 500 + 20 % of previous income below the threshold 2 700 EUR + 15 % of income exceeding the previous maximum limit of EUR 2 700. Basic benefit is financed from state funds; part of the benefit derived from the income is paid from the Unemployment Insurance Fund. Resources of this fund represent unemployment insurance paid by employers and employees.<sup>3</sup>*

### **4. Support of the living costs during a period of study**

Studies of adults required to sacrifice some time for the education at the expense of other activities. These other normal daily activities have to be carried out and can not be submitted without a refund. If the time originally allocated to these activities is devoted to education, it is necessary to ensure these activities in another way, especially by their purchase. At the same time, decline in income associated with reduction of work hours may threaten the security of living standard. Financial assistance with payment of living costs during studies will help to overcome the temporary negative financial impact of education on living standard. Financial aid represents a payment of a certain amount to

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3 Processed with using information that is available at the website of European Training Village. CEDEFOP. Available at <http://www.cedefop.europa.eu/default.asp>.

adult learners. Support can be provided to all adult learners or only to defined group of adults. The most common criteria for defining the target group of beneficiaries include the amount of family income, the number of dependent members of households or educational attainment of adult.

Assistance with the payment of running costs, which at the time of the study increased, influences decisions of adult in positive way. At the same time, it is necessary to consider the amount of benefit. This amount has to cause the desired behavior of adults and not to be financial burden on public budgets from which the benefits are provided.

## 5. Educational vouchers

Educational vouchers engage funds of all subjects involved in the financial security of training. Their contributions together create the value of vouchers. Educational vouchers are used as a means of payment for education.

This supporting system can be simply described like this:

- Adult will receive the voucher and choose a training program which he will pay by voucher. Then the educational institution send voucher to institution that ensure administration of system.
- Condition of reimbursement the vouchers is usually the accreditation of educational institution. Accreditation should guarantee the fulfillment of quality standards by the educational institution.
- Vouchers may be variously modified. Their value can cover the entire price of the course or just its part. The value of vouchers can also depend on income of adult or the size of his own cash contribution etc.

In this case support of educational costs takes the form of „check“ given to adults that they use to pay the course fees. Educational vouchers change direction of support from the educational providers of courses to participants who may spend the funds only for education. Final reallocation of resources depends on decision of adult's participant of courses. The value of the voucher is determined on the basis of different criteria, most often as the average amount of the costs of one lesson or as the average price of a training course or a certain number of teaching hours.

Voucher systems are highly diverse and vary in a number of elements. Differences can be found in particular in the amount of costs that are paid by vouchers (full or partial payment), in the target group of recipients of vouchers, in providers of education that can receive vouchers (only accredited or all providers), in the orientation of training that is paid through this instrument (general or specific training), in the limitation of the amount of provided aid during a certain period (e.g. year), in involvement of the state in the system.

In accordance with the latter criteria there can be defined the following types of vouchers:

- Fully funded by state
- Partly funded by state
- Privately funding

### Educational vouchers fully funded by state

Adults interested in education are not receiving support in the form of cash but vouchers. In fact, this support is similar to subsidies for educational courses characterized above but here it has a modified non-monetary form.

### Educational vouchers partly funded by state

Adult learning should take place primarily on the basis of individual initiative and role of the state should only be in stimulation of learning activities, rather than take responsibility for securing of education (as in the case of initial training). That is why the vouchers with partial funding from the state represent appropriate tool of support. Government institutions - usually on the lower administrative levels (regional or local government) - only contribute to cover the total value of vouchers. The vouchers with partial state aid provide public support to adults and increase their participation in further education.

### Privately funding educational vouchers

Employers can support education of their employees by covering of educational costs. Employees can obtain educational vouchers in the form of bonuses in addition to wages.

If provision of these employees' bonuses is tax advantageous for employers the instrument will represent appropriate solution of contribution to financing education of staff. At the same time there is public support in the form of tax exemption. Private funding vouchers can also be used by the social partners to promote the education of their members.

The main advantage of educational vouchers systems is easier administration process because the allocation of resources is not a subject of complicated decision-making process. Vouchers can be accepted only by accredited providers of adult education which should be ensured the quality of provided training. The advantage of multi-source financing is supplemented by the possibility of state or employer to influence the direction of funds through the identification of training areas to which vouchers can be used, or target groups of recipients of vouchers. Individuals themselves choose the appropriate educational activities and educational providers. If adults had to spend part of their own funds on the financing courses they would be more responsible in the selection and motivated to complete the training.

Vouchers bring the same positive effects as current money for the market like promotion of the competition among educational providers. Increased competition brings benefits to participants in the form of greater involvement of educational providers to meet the needs of adults. The providers have to take into account the needs of participants and provide better services. At the same time vouchers avoid an abuse of provided funds because vouchers can not be used for other purposes than education in comparison with money. Voucher system is a transparent method of distribution of financial support that simultaneously allows monitoring the utilization of the financial support.

Ensuring the administration and the functioning of voucher system by the external organization with long-term experience in this field of business will remove costs associated with starting and operating system from public authority. External organization with experience in operating the activities may better ensure all activities associated with the issue and distribution of vouchers, their payment, records of financial flows, creating a database of educational institutions, statistical reports, monitoring the functioning of the system etc. Distribution network of long-established company ensures the availability of tool throughout the country and guarantees availability of vouchers to all citizens. At the same time vouchers can be used to ensure feedback from course participants. For example they can complete a short questionnaire that is a part of the voucher. Through this questionnaire adult rate the quality of and satisfaction with courses.

In the case of business training presented tool can be used to ensure the financial costs of training courses for staff. In addition to financial support for training in the form of vouchers employees obtain the freedom of choice their own educational path adapted to their capabilities. The employer remains as main financial body but the choice of a course (from offers of accredited providers) depends on the decision of participants.

Summary of the main advantages of vouchers systems:

- choice of courses according to preferences of adults
- increased competition between educational providers will bring improvement of services in accordance with the needs of the adult learners
- improvement of the information and counseling services because educational providers need to present their services to the public
- increase in investment in education
- transparent way of providing financial support
- possibility of targeting aid to disadvantaged individuals or qualifications whose amount is inadequate in the labor market
- monitoring the utilization of resources
- public funds effectiveness
- target support - utilization of resources only in the field of education
- time, financial and administrative savings for public sector
- successful long-term experiences with these tools
- security of payment, a higher protection against theft
- utilization of existing distribution networks and security of support availability to all citizens
- security of feedback

The arguments against the educational vouchers include fears of lower ability of individuals to make properly choice from educational offer and to assess the quality of educational providers. It is therefore necessary to establish a quality system providing information and advice to adults that they need for deciding about learning opportunities. And of course operation and administration of the voucher systems will require a certain financial resources.

*In Austria there are provided vouchers or individual training accounts that individuals can use to finance the cost of further education. Educational vouchers and educational accounts have been established at regional level with the current involvement of social partners' organizations.*

*In Vienna adult receives the amount up to 150 euros or 300 euros, if he is unemployed or 450 euros, if he visits educational courses of second chance.*

*In the region of Styria there exist the following types of vouchers:*

*I. Educational vouchers for start-up businesses designed to:*

- 1. preparation of individuals for the purpose of getting the business license – 50 % reimbursement of the cost of the course, up to a maximum of 436 euros;*
- 2. further training in business management, marketing and controlling – 50 % reimbursement of the cost of the course, up to 290 euros; course must meet the following criteria: duration of course at least 80 hours, the granting a certificate after successful completion of the course.*

*II. Educational vouchers for adults with completed education in apprenticeship field of education – vouchers are intended to promote continuing vocational training during the next five years after completion of apprenticeship training (50 % reimbursement of the cost of course to a maximum of 290 euros or 363 euros for apprentices who have reached the mark "excellent" in final examination); course must meet the following quality criteria: duration of course at least 80 hours, the final exam.*

*III. Educational vouchers for special skills – these vouchers are valid for 10 years after completion of apprenticeship and can be used for training in the field of computers, CAD / CAM and marketing; 50 % reimbursement of the cost of course, maximum up to 723 euros; course must meet the following quality criteria: duration of course at least 80 hours, the final exam.*

*In Upper Austria there exist two types of educational accounts for support the continuing education of persons with only completed apprenticeship. These vouchers can be used to finance technically-oriented further training or retraining (outside retraining education under employment policy):*

*I. Learning accounts – 50 % reimbursement of the cost of training course leading to professional qualifications, up to 730 euros. Participants must demonstrate attendance in the courses.*

*II. Special educational accounts for the financing formal education leading to a qualification (e.g. apprenticeship certificate or the master craft tests). If the test is successfully passed, it may be compensated 50 % of the cost, up to 1 460 euros. Funding is only available for courses provided by registered and accredited institutions situated in the region.*

*Financial aid for adult education is awarded by the social partners in Austria too. The most important in terms of the number of participants are educational vouchers of Federal chamber*

*of workers and employees. Each member can order educational voucher in the amount of 100 € (in some federal land members on parental leave receive a voucher with a value of 150 €). Individuals receive 1 x voucher with value of 50 €, 2 x 20 €, 1 x 10 € (for persons on parental leave further 1 x 20 €, 3 x 10 €). The funds for financing the vouchers come solely from the resources of Chamber. There is not any participation of public funds. At the same time, vouchers can be combined with other educational federal government's accounts. Vouchers are not transferable to other persons. Providers of education after receiving the vouchers from adults send them to Chamber. The vouchers are refunded only to a few selected providers of continuing education. The chamber itself manages the entire system, there are not involved any other institutions such as banks.<sup>4</sup>*

## **6. Scholarships, grants**

Scholarships and educational grants can use adult learners for payment the costs of education. The scope of the costs financed from these funds can be very diverse. The basic scholarships and grants solely cover the price of course. There may be other grants funding wider educational costs. These generous financial supports can help to finance expenditures on transport, food, and accommodation, study material, securing the services of child care or basic living expenses. In case of successful completion of education it can be provided extra financial "bonus". Qualification for benefit can be defined through a series of criteria. The most commonly used criteria represent the age, income, attainment education, field of study. The amount of the grant can be defined for example as a flat amount for all eligible applicants, according to the price of courses or applicant's income etc.

Scholarships and grants are primarily financed from public budgets. In some cases some non-profit organizations can provide scholarships and grants too. Business scholarships are intended for highly specialized long-term courses.

Provision of a relatively significant amount of funds for payment the costs of further education is the advantage of this support. At the same time due to the volume of available sources of funds is not possible to offer this form of subsidy to all adult learners and it is necessary to apply some restrictions. Management and decision-making process of grant system increases administrative burden of public body. Potential applicants of grants have to spend time on survey of terms of the grants and documentation the compliance with them. This longer application process may deter some adults.

*In Denmark there are state grants for adult education assigned for employed and unemployed aged 25 - 60 years and the learners of open full-time education at university level. Adult can obtain grant if he study accredited programs and he concluded an arrangement on study leave with his employer (in case he is employed). Employed persons receive grand for maximum 52 weeks during the five-year period; the unemployed are entitled to financial support for 6 weeks during the entire period of 1 year-long unemployment.*

*In Denmark adults can get grant for further vocational training. This financial support can get employed and unemployed persons who have completed upper secondary education,*

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<sup>4</sup> *Processed with using data available in Thematic analysis, CEDEFOP [cit. 2007-05-25]. Available at <http://www.cedefop.europa.eu/default.asp>.*

vocational training program or program of higher vocational education but they do not have adequate work experience of 5 years. Training takes place in the technical college, educational centers for the labor market or in educational programs. Participants are entitled to educational grants if they lost income or a job and have an agreement on educational leave with their employer. Grants are provided under individual loss in income, the maximum amount represents the amount of unemployment benefits. Students of other professional educational programs may receive a financial support to cover costs associated with transport, food and accommodation.

*In Sweden financial aid is available to students up to 55 years of age. People in training courses in the labor market receive grants in an amount equal to unemployment benefits.*

*In the UK adults can get the reimbursement of educational costs. The maximum amount of grant is 30 pounds per week. The qualification for grant, as well as the amount depends on the student income. For payment of grant it is necessary to document attendance at the course each week. Grant is usually paid for 2 years.*

*In the UK General Federation of Trade Unions provides grants to students of full-time study and Open University. The grants support study in the fields of economic theory, history and industry. The sources are paid from Educational Fund of General Federation of Trade Unions.<sup>5</sup>*

## **7. Study loans**

Study loans support financing of educational expenses through the advantageous interest rates, longer payback period and postponement of the initiation of repayment or the granting of state guarantees to students. If the students get state guarantees they will not have to prove sufficient income for getting bank loans. Loans are used mainly to finance training courses but range of the costs paid from borrowed funds may be broader. Depending on the specific conditions there can be financed other costs associated with further training (educational materials, transport, living expenses). The funds are paid if students prove attendance at course, admission to the course or educational expenditure. Payment may be send directly to the accounts of educational institutions or individuals who subsequently used them to cover educational costs. Advantageous installments may take form of deferred repayments until the time of competition training, after a certain period of time from the end of study or after achievement a certain level of income. It is possible determine maximum load of income by installments. At the same time, it can be possible to pay the full or part of amount of the loan whenever during the repayment period, without fear of penalty or burden by other charges due to make payments out of the payment schedule.

Loans may be provided by public institutions or private banks. In the case of private banks the state compensates them the provided benefits from public funds. Public support for

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5 Processed with using information that is available at the website of European Training Village, CEDEFOP. Available at <http://www.cedefop.europa.eu/default.asp> and at Internet information portal of public administration of Great Britain, part of lifelong learning of the Ministry of Education of Great Britain. Available at <http://www.direct.gov.uk/en/EducationAndLearning/AdultLearning/index.htm>.

private institutions may include compensation of provided favorable interest rates, state guarantee in the case of clients with the problem of financial insolvency.

Advantage of loans is possibility to borrow funds that will be paid back under better conditions. Furthermore, it is possible to find similar benefits as in the case of educational voucher like pressure on the quality of educational services, the choice of educational opportunities in accordance with student preferences, higher motivation to complete the course etc. The risk of the insolvency of clients and the financial costs of the system represent disadvantages of this tool. If the repayment of loans is started after achievement a certain level of income there is a risk of default a loans because of low income of adults. At the same time, the uncertainty of the learners about their own future ability to pay may lead to lower interest in this instrument.

Further loans can be provided as irrecoverable loans on education. In this case individuals do not repay borrowed money in the future. The allocation of this loan is defined by strict conditions and it is intended primarily for the clearly defined target group. Utilization of this tool is again limited by shortage of resources.

*The Finnish government gives guarantee on repayable loan and students do not have to declare income for the purpose of obtaining the loan.*

*In the UK there exist the loans for the development of professional careers (CDL). Adults can use these bank loans with deferred payment for financing the vocational training or education related to employment. The amount of loans ranges from 300 - 8 000 pounds. Loan is repaid after one month from completion of training. Loans are available to employed and unemployed persons and entrepreneurs. The funds can be use to finance the education lasting up to 2 years (or three if education includes practical training lasting 1 year). After completion of study students repay the loans to the bank for a fixed period at a fixed interest rate. The loan can be used to cover tuition fees, cost of educational material, childcare, transport, living costs (expenditure on food, clothing, footwear, heating, installment loans, housing) in condition that these costs are not covered by other grants or social benefits and the person does not work more than 30 hours a week. If a student is unable to repay the loan, the bank may postpone the payment (up to 17 months) in cases of unemployed person, employed person receiving some social benefits, extension the time of study because of serious circumstances.<sup>6</sup>*

## **8. Tax allowance**

The tax relief reduces the final tax liability. The purpose of this tool is to compensate costs of adults that they made in connection with their further education. Tax relief can be constructed as deductions from the tax base or from the total tax liability in the form of tax rebates. The former method reduces the tax base of the recognized amount of deductible expenses, in the latter case, the relevant expenses is deducted from the calculated amount of tax. In the case that the amount of tax would be insufficient for deduction taxpayer can

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<sup>6</sup> *Processed with using information that are available at the website of European Training Village, CEDEFOP. Available at <http://www.cedefop.europa.eu/default.asp> and at Internet information portal of public administration of Great Britain, part of lifelong learning of the Ministry of Education of Great Britain. Available at <http://www.direct.gov.uk/en/EducationAndLearning/AdultLearning/index.htm>.*



acquire tax bonus. Direct reduction of calculated tax can represent for taxpayers simpler, more understandable form of tax support. The importance of tax allowance depends on the extent of the group tax deductible expenses and the determination of the amount of the possible deduction.

Group of deductible items can include a number of expenses:

- School-fees
- Examinations fees
- the cost of study material, transport, accommodation
- expenditure on the provision of childcare during a period of study
- loan interests for financing further education

The amount of the deduction may be determined as a percentage of the expenses or as full value of expenses. It is also possible to define the maximum annual amount that can be deducted. Tax allowance can also be applied to certain types of education (e.g. formal, staff education etc.) or extend to all types of adult education.

The advantage of this tool is its relatively easy implementation and administration through the existing tax system. But at the same time lower taxes mean lower revenues for public budgets. The seriousness of this disadvantage depends on the size of decline in public revenues due to the introduction of tax relief. It is possible that higher spending of individuals on educational services should enhance income of educational providers and thereby increase their tax levies. These higher tax payments should mitigate negative impact of lower learners' taxes. This tool may use only individuals with taxable income, when the higher the income, the better the benefit for individuals. This tool is not suitable for promotion of adults with low-income, unemployed and with low qualification. The possibility of additional reduction in tax liability does not provide direct financial support in the form of cash grant. The tool does not remove the immediate lack of resources and that is why at first adult must ensure sufficient means for financing education by them self. The tool offers subsequent support for the funding of educational needs.

*In Netherlands adults can deduct from tax educational costs in the range of 500 - 15 000 Euros.*

*In Austria there is possible some of the costs of further education to deduct from the tax base. Adults can deduct the costs of educational activities that lead to acquire the knowledge needed for employment.<sup>7</sup>*

## **9. Individual educational saving accounts**

Educational accounts offer the opportunity to save money for financing costs of further education. Individual creation of financial resources can support contributions to individual saving accounts, interest rates subsidies, higher security of investment and the tax exemption of income from savings. In addition it is possible to promote the creation of in-

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<sup>7</sup> Processed with using information that is available at the website of European Training Village. CEDEFOP. <http://www.cedefop.europa.eu/default.asp>.

dividual savings by not counting these savings in the total family income which is used to evaluate family property for the purpose of deciding on entitlement to social benefits.

Additional contributions to individual savings may come from the public budgets or resources of employers offering financial support for training of their employees, trade unions and other branch and professional associations. The amount of these contributions can be provided as a fixed amount or a percentage of the saved amount. In addition contributions to saving accounts can be tax deductible for individuals and their employers. The final amount of funds on the account consists from money paid by individuals, additional contributions and interest income. The savings can be subsequently used only to finance the costs of further education which can include the price of courses, as well as the accompanying costs. These resources can be use to finance the reduction in income for the period of study. The institution on which account are money saved carry out the supervision of utilization of funds. The funds are released from the account after the submission of documents confirming the need of payment educational expenses.

The learning accounts increase financial responsibility of individuals for the creation of resources for the financing of the educational services. Attractiveness of system may be weakened by setting insufficient amount of additional contributions, especially in the case of higher individual savings. Longer time of savings needed for creation appropriate amount of funds is further disadvantage of saving accounts. Risk represents an assessment of the deposited funds that depends on the investment strategy and administrative costs of the institutions managing clients' funds. An obstacle may constitute insufficient own activity and interest of adults to set up and save resources for the purpose of education. The risk of misuse of saved funds requires control of utilization of resources. Saving accounts are better accessible to adults with higher income. Adults with low income do not have enough available funds for creating such savings. This is next weakness of the tool.

*In the Netherlands the individual learning accounts were tested in the research project whose aim was to determine the impact of these accounts to training activity of employees and their position on the labor market. Scientifically valid conclusions should provide a comparison between 1 000 staff using educational accounts (experimental group) with 1 000 employees without access to these accounts (control group). Research was realized in cooperation with the education and development funds from the five sectors. Each employee received for participation in the project 125 €. Workers who were selected as recipients of educational accounts received on their accounts 1 000 € (500 € from the government and 500 € from the educational fund). The funds had to be used to educational activities improving position of adults on the labor market. The contributions from organizations or branch training fund supplement government resources, payment of individual participants are very low and are tax deductible. Payment to educational institutions is made after registration of a participant into the course (at the beginning of education), in some cases funds are paid directly to participants (in cash or in the form of vouchers).<sup>8</sup>*

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8 Processed with using information that is available at the website of the Ministry of Education, Culture and Science of Netherlands. Available at <http://www.minocw.nl/>

## 10. Paid study leaves

Right of employees to paid study leave guarantees providing financial security during the time of study and the preservation of employment after returning from training. This right may be stipulated in national legislation and provides the same protection to all employees for a period of further education. If this right is the subject of collective agreements the specific provisions will be valid only for members of the parties that concluded these agreements.

The provision of paid study leaves is undoubtedly a strong motive for starting further education. Compensation of lower income during the time spent out of work because of study means a substantial financial assistance for learners. Employers primarily pay this financial support. Payment of wage costs of workers on study leaves may be directly supported by public funds or indirectly in the form of tax relief for employers (they should deduct wage costs of learners, not pay health and social insurance for those employees). Another resource for financing wages of learners presents educational fund (see details below in chapter devoted to this instrument).

Entitlement to study leave may be automatic or there can be set some conditions. Frequently it is required a certain period of employment or a minimum duration of employment at one employer, employer's agreement with study leave. Study leave may be used to study any general educational courses or only selected professionally-oriented courses. The question is the determination of sufficient length of leave that allows the study longer courses and the extent of income compensation (full or partial). The paid study leave brings disadvantage especially to employers in the form of an increase in labor costs. Employers have to pay wage costs of employees out of work and at the same time they pay wages to supplementary person that replaced learner. In this case, it can be used concept of job rotation when the position of learner is temporarily replaced by the unemployed person whose employment is supported from the programs of employment. Thus the employer receives a favorable compensation for learner and job-seeker has an opportunity to gain employment and acquire new work experiences.

*In Finland an employee has entitlement to study leave if his full-time employment at one employer lasts at least one year. The maximum length of leave is 2 years during the five years of employment at one employer. During study leave contract of employment remains valid but learner does not get the salary. Student has right to study grants.*

*In Finland there exists job alternative leave. This tool allows to employees long-term leave and at the same time it provides to unemployed persons opportunities of temporary employment. Condition of this tool is replacement of learner by registered unemployed person. Priority is given to the unemployed persons under 25 years old, long-term unemployed, graduates and school-leavers of vocational training. Next condition is the duration of employment of at least 10 years and just before the holiday the employee must be employed at one employer for at least 1 year. The range of leave duration is from 90 to 359 days. During the period of leave the amount of payment corresponds to 70 % of the daily unemployed benefits to which the individual would be entitled if he were unemployed. In the case that the employee has worked 25 years the amount is 80 %.*

*In Sweden the workers of full-time study have the statutory entitlement to study leave.*

*In Austria in the private sector employees may agree with the employer on the study leave. Its duration is at least 3 months and a maximum of 12 months. Employees get wage replacement payments from labor office during the period of leave. Employees older than 45 years receive during a period of leave income in amount similar to unemployment benefits. Conditions of study leave include evidence of staff participation in training for a specified period, duration of employment at one employer at least 3 years and not getting other financial compensation by employer.<sup>9</sup>*

## **11. Free courses offer**

The educational fees paid by adult learners are one of the important items in the total educational costs. Substitution of these costs in the form of free access to the training courses will offer favorable opportunities for adults. Offer of free courses but at the same time does not mean zero training costs for individuals. In conjunction with education there remain a number of other expenditures that have to be necessary paid (study material, cost of transport, accommodation etc.).

Advantage of this tool can be seen in easier access of educational opportunities to a wider group of adults, particularly to people with lower-income. The disadvantage of the instrument is again the financial burden of public funds from which the financial support is paid. Some free courses may provide non-profit, volunteer organization too. Due to the increased financial costs it may be assumed that this free offer will be aimed at defined target group.

*In the UK there are offered courses teaching basic skills free of charge and there is available counseling for improving basic skills that includes searching suitable course too. For the purpose of supporting the reading among the inhabitants there was introduced the project "Fast reading" in the year 2006. Books of the most authors were published in the small pocket form. Books are sold in ordinary shops, bookstores and libraries. Citizens can obtain special voucher for paying the price of books. Free reading and writing courses offer the top football clubs. Focus of educational courses is connected with the activities of football and citizens can practice their skills such as writing reports from the match, reading comments on the matches, creating contracts of transfer, negotiation about severance payments and monitoring league tables. For example the football clubs providing these courses are Manchester United, Liverpool, Everton and Carlton Athletic.<sup>10</sup>*

## **12. Ensuring or extending the range of additional services**

This tool represents support of adequate and affordable supply of services for adult learners that help them to secure daily activities. In particular, it is necessary to adapt the

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<sup>9</sup> Processed with using information that is available at the website of European Training Village. CEDEFOP. <http://www.cedefop.europa.eu/default.asp>.

<sup>10</sup> Processed with using information that is available at Internet information portal of public administration of Great Britain, part of lifelong learning of the Ministry of Education of Great Britain. Available at <http://www.direct.gov.uk/en/EducationAndLearning/AdultLearning/index.htm>

services of childcare to needs of adult learners. Opening hours of these facilities could be suited to timetable of courses and the prices of these services should be acceptable.

This support usually falls among the competence of lower administrative body and between the activities of non-profit, voluntary organizations.

Advantage of tool presents assistance and facilitation of family duties. At the same time detection of the adults' needs and subsequent creation of the relevant services require a certain time and financial costs.

*In Sweden the services of centers for children may use learning adults under the same conditions as if they were employed. In some cases municipalities establish their own special centers for children of learning parents.<sup>11</sup>*

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The presented instruments get financial power to adults who decide about buying educational services. Financial aid can be provided in different moment. The support can be paid before the starting course, after registration in the course, during the training at a fixed period, at the end of the course or after successful completion of the course. For each method there can be found advantages and disadvantages of its application. The payment in advance or during the study brings to adults security of funds. On the other hand provider of support has to secure effective control of spending of funds. Payment of support after the end of the study reinforces the responsibility of adult and effort at the successful completion of training. But in this case the fear of study failure may lower interest in education or adults can prefer less demanding educational activities. Such behavior but does not contribute to the developing knowledge of adults.

Finally should be stressed that the financial instruments themselves do not make anyone learn. The most important role belongs to the individual motivation and his interest which is influenced by a number of factors (affordability of educational services, time for study, teaching methods, etc.). Financial support can help to adults facilitate educational activities but it can not be considered as definitive solutions. If adults were still resistant to education and unwilling to learn, neither free courses nor high subsidies would force them to further education. There may be also unbelief about the effect of education that was started because of possibility of acquisition the financial support. Solution should be seen in the internal motivation of adults. It should be still in mind that in addition to the above characterized financial aid there are other variables that significantly affect the adults' attitudes and their interest in education.

## **2.2 Demand-side support of employers**

1. Tax deductible educational costs
2. Tax advantage
3. Privileged access to external financial resources

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<sup>11</sup> Processed with using information that is available at the website of European Training Village. CEDEFOP. <http://www.cedefop.europa.eu/default.asp>

4. Support the creation of corporate resources for education
5. Subsidy of educational costs
6. Free human resources development consultancy

### **1. Tax deductible educational costs**

The measure allows employer to include the cost of education among other costs expended in connection with his business. Employer has the possibility of reimbursement of training costs by reducing the tax base. If there is no possibility of deducting the cost of education these expenses are paid after taxation and therefore the employer tax liability is higher. The significance of instruments depends primarily on the scale of the expenditure that may be included among the tax deductible expenses. For example between deductible costs there can be included price of courses, the cost of study material, equipment, transport or financial support for related services. At the same time, it is necessary to define the educational activities whose assurance it is tax deductible. It is important to determine whether the tax deductible costs include expenditure on all educational activities funded by the employer or only some one (external, internal, formal, non-formal education, specific training exclusively associated with the job, acquiring general knowledge and skills, etc.). On the contrary, it does not seem appropriate to allow deduction of the wages costs of learners since this could lead to give the preference to better skilled workers with higher incomes and larger tax deductions for the employer.

Advantage of this tool represents the simplicity of its implementation and administration through an existing tax system. On the other hand, tool lowers tax revenues of public budget. Tool also does not solve the need of the cash assets for immediate payment of educational expenses because these expenses are deducted after their paying. In the time of education the employer has to ensure sufficient financial resources.

### **2. Tax advantage**

This tool provides to employers possibility of further reducing the tax base or the final tax liability. Additional deduction of employer's expenditures on educational activities can be defined in several ways such as:

- a percentage of paid costs,
- lump sum per learning employee,
- additional deductions for training of staff from the risk groups in the labor market.

For functioning of this instrument it is necessary to define deductible costs, their amount, purpose of supported education (general, related to job performance) and types of courses (accredited, non-accredited). In the case of risk groups of employees in the labour market or employees with disadvantageous access to educational services it can be introduced additional preferential allowance for employers. Unlike in the previous measures allowance is deducted separately from profit before it taxation or subsequent from the amount of calculated tax.

The advantages and disadvantages are similar as in the previous case.

In the case that employer can not take advantage of a deduction from tax base due to insufficient level of profit the measure can be supplemented by a tax bonus. This bonus is called a negative tax. If after deduction of costs from tax based the tax liability is negative the employer does not pay the tax and vice versa he gets the payment from public budget. It is expected that the tax advantage of further reducing the tax liability would encourage employers to train their own employees rather than to find new - appropriately skilled – workforce. Processes of finding and hiring of new employees are also associated with additional costs but not tax deductible.

At the same time it is needed to ensure that the introduction of tax exemptions does not cause a reduction in clarity of the tax laws and increase in the employers' administrative costs. Despite of the possibility to deduct the costs from the tax base there is still necessary to ensure cash funds for paying the costs of education. The tool does not provide direct funding. The expenses are deductible after the payment of costs.

A combination of both tools (tax deductible costs, tax advantage) provides possibility to include educational costs among accounting costs and deduct a certain percentage of the educational expenditure from the tax base or the final amount of taxes. The support could be multiple and more incentive.

*In the Netherlands employers can reduce taxes and social insurance payments as compensation for the costs of education of staffs who subsequently receive primary education.*

*In Austria there are two kinds of tax allowance that should encourage business expenditure on continuing vocational training. Employers can use 20 % extraordinary deduction of educational expenses from the profit. This support includes both forms of corporate training (internal and external). The second option is tax credit. This tool can use companies that do not reach the necessary level of profit and they can not use first tool. These companies can require a tax credit of 6 % of real expenditure.<sup>12</sup>*

### **3. Privileged access to external financial resources**

Favorable conditions of access to external resources would improve their availability for employers. Due to the nature of investment in educational employer can not guaranteed income to financial institutions when he wanted to borrow funds for educational purposes as in the case of other investment in fixed assets. It is therefore necessary to offset the reluctance of banks to finance these investments. Support can be provided in the form a state guarantees or favorable interest rates.

In addition, this group of tools includes support programs aimed at developing training in enterprises. In particular the public budgets bear the costs of this measures, in some cases international financial resources can be used.

Supporting tools can be defined for different target groups that face to insufficient resources for security corporate training. The main advantage of this tool is better access to

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<sup>12</sup> Processed with using information that is available at the website of European Training Village. CEDEFOP. <http://www.cedefop.europa.eu/default.asp>.

additional funds. On the other hand, the introduction of instruments will lead to increased pressure on public budgets. Next disadvantage presents a risk of insolvency of debtors.

#### **4. Support the creation of corporate resources for education**

The measure focus on stimulating the creation of own corporate resources for education. Additional resources for financing further education of employees can be ensured by regular payments from employer. The total amount of these funds is then entirely used to finance further education of staff. Besides employer the payments can pay employees. Payments can be set as the voluntary or mandatory. Alternatively, payments can be mandatory for employers only if the voluntary corporate expenditures on training of staffs are under the minimum limit or the charges can be increase if the company does not utilize created funds for education.

Payments may flow to the specially created accounts. The right to dispose with these resources belongs to the enterprise. Payments may be sending to special educational fund and companies have possibility to affect purpose of utilization these resources. Payments into the fund can be defined as a voluntary or compulsory and promoted by contributions from public funds. The amount of contributions can depend on the amount of employer contributions, the number of training staff for a defined period, the amount of educational business expenditure or the amount of individual contributions of workers.

In the case of compulsory training levies all companies are involved in the financing of positive externalities which education brings. Next advantage is the opportunity to influence the utilization of resources according to criteria taking into account especially the quality of the courses. The creation of funds for predetermined purpose prevents the transfer of resources on other activities and provides a guarantee of regular security of funds for financing further education.

Establishing a functional system requires the establishment of separate legislation. At the same time the creation and operation of an educational fund require the additional costs. Risk is also the transfer of the financial burden - that due to the introduction of levies may increase for employers - into wages of employees.

#### **5. Subsidy of educational costs**

Grants from public funds for the implementation of staff training activities, for study equipment and personnel costs of lectors can represent direct support for employers. These tools can include a wage subsidies of learners and subsidies of wage costs of temporary staff that replace learners. These tools again increase the burden on public budget.

#### **6. Free human resources development consultancy**

Free consultancy offer help to identify specific training needs of staff and security relevant educational activities. Especially for smaller companies this measure represents a strong support. For many of these companies may not be the services of commercial entities affordable.

These free services may be financed from public funds, funds of professional associations or unions of employers. The advantage of this tool is possibility of individual solution of the employer's educational needs. On the other hand, the results of consultancy come after a certain period of time and use of these services is dependent on the employer's decision, its willingness and interest in education of the employees.



## 2.3 Demand-side support of other interest groups

### 1. Grants

Non profit or voluntary organizations have potential force to stimulate adult education. Their importance can be seen in encouraging adults to participate in education and providing educational events. These organizations can provide to adult information and financial assistance. The financial support of these organizations is significantly limited by their income level. The availability of opportunities to increase revenues represents a significant help in securing the funds for these organizations. This support includes the financial resources provided from a number of development programs financed from public funds or foreign aid programs.

The process of obtaining the funds is often associated with demanding administration. In some cases, applicant has to pay a part of required amount of funds. Applicant often may not be able to provide corresponding amount by own funds and thus this condition acts as serious obstacle.

### 2. Tax allowance

This support provides to non-profit and voluntary organizations more favorable conditions for carrying out their activities and ensuring the necessary funds. The purpose of this aid is not to cover the operating costs of these organizations. This form of support does not mean a direct expenditure from public budgets but loss of public income which - because of tax relief - will not be collected. In particular there can be the following tax allowances:

- tax exemptions, tax advantage of income of organizations, such as tax exemption from property, income
- tax breaks for donors; for example, if an individual gives a certain amount of money to organization, he can deduct all or part of this amount from his the tax base
- tax exemption of income provided by organizations to other subject; for example if the organization provides to individuals the means for paying tuition fees the recipient will not have to pay tax from this income

Advantage of this tool is financial support of the operation of organizations. On the other hand, reduction in tax revenue of the state budget represents disadvantage of this measures.

Because of maintaining transparency and clarity of text and the fact that some of the advantages and weaknesses of tools repeat it was omitted from their consistent repetition separately for each instrument in the text. Table 2 gives a detailed overview of advantages and disadvantages of each instrument defined above.

A frequent disadvantage occurring simultaneously in more above-mentioned instruments is deadweight costs. This disadvantage represents loss of support provided on educational activities that would be realized even if absence of support. For example, adults would receive support, even if their own financial resources were sufficient for paying the costs of further education or firms would receive support even though they realized educational activities without support. Then public support covers the less necessary body. This disadvantage repeats for a number of defined instruments that is why a summary explanation is given at the end of review of support tools.

The selection of suitable instrument of financial support depends on a number of criteria which in particular include availability, ease and speed of implementation and administration of tool and amount of associated financial burden on public budgets. At the same time, it is necessary to consider the risk of abuse of support and transaction security. Equally important is the aspect of user-friendly forms of selected support which is a prerequisite for rapid and smooth adoption of the tools by general public. After considering identified advantages and disadvantages it is simultaneously necessary to evaluate forms of support from these appointed criteria for the purpose of choice the particular tool. There is comparison of tools according to the most important selection criteria in the Table 3.

**Table 2:** Instruments of demand side financial support of adult education (part 1)

Demand-side support of individuals		
Instrument	Advantages	Disadvantages
Payments subsidies for educational courses	<ul style="list-style-type: none"> <li>+ individual responsibility for the selection of courses and personal development</li> <li>+ choice of courses according to the needs of student</li> <li>+ higher motivation to complete the course</li> <li>+ reduction of educational costs for students</li> <li>+ quality regulation of educational services</li> <li>+ improvement of information and counseling network</li> <li>+ pressure on the quality of educational services</li> <li>+ support of competition among providers of education</li> <li>+ the possibility of targeting the support</li> </ul>	<ul style="list-style-type: none"> <li>- scarcity of resources for support</li> <li>- risk of lack of information about the educational offer needed for deciding of individuals</li> <li>- risk of lack of own resources needed for co-financing in the case of low-income groups</li> <li>- increase of the administrative burden</li> <li>- transfer risk in the case of cash</li> <li>- abuse risk of funds</li> <li>- greater security and control requirements on transactions with the payments</li> </ul>
Support of other costs associated with education	<ul style="list-style-type: none"> <li>+ reduction of other costs related to the education</li> </ul>	<ul style="list-style-type: none"> <li>- the higher costs for subjects providing supports</li> </ul>
Compensation for reduction in income as a result of further study	<ul style="list-style-type: none"> <li>+ income support of learners</li> </ul>	<ul style="list-style-type: none"> <li>- additional financial cost for employers</li> </ul>
Support of the living costs during a period of study	<ul style="list-style-type: none"> <li>+ maintenance a standard of living during the period of study</li> </ul>	<ul style="list-style-type: none"> <li>- a financial burden on public budgets</li> </ul>
Educational vouchers	<ul style="list-style-type: none"> <li>+ easy system administration</li> <li>+ support of competition among educational institutions</li> <li>+ pressure on the quality of educational services</li> <li>+ choice of educational opportunities in accordance with student preferences</li> <li>+ individual responsibility for the selection of courses and personal development</li> <li>+ higher motivation to complete the course</li> <li>+ the possibility of targeting the support</li> <li>+ prevention of the misuse of aid for other purposes</li> <li>+ more transparent way of support provision</li> <li>+ safety payment instrument, a higher degree of protection against alienation</li> <li>+ regulation of quality of educational services</li> <li>+ monitoring tool of utilization resources</li> <li>+ effective use of public funds</li> <li>+ improvement of information and counseling network</li> <li>+ educational cost reduction for students</li> <li>+ the possibility of reducing the financial demands on the public budgets</li> <li>+ time, financial, administrative savings associated with management of system for public sector</li> <li>+ long-term experience with the operation of tool</li> <li>+ use of existing distribution networks guarantees the availability of support to all citizens</li> <li>+ security of feedback</li> </ul>	<ul style="list-style-type: none"> <li>- the risk of lower orientation in the educational offer and lower ability to evaluate its quality by individuals</li> <li>- management costs</li> <li>- risk of lack of own resources needed for co-financing in the case of low-income groups</li> </ul>
Scholarships, grants	<ul style="list-style-type: none"> <li>+ payment of the majority of the costs of further education</li> <li>+ the possibility of targeting the support</li> </ul>	<ul style="list-style-type: none"> <li>- because of higher financial costs support is defined for limited group of recipients</li> <li>- increase in the administrative burden</li> <li>- demanding process of applications</li> </ul>
Study loans	<ul style="list-style-type: none"> <li>+ access to funds for financing longer-term studies and associated costs</li> <li>+ support of competition among providers of education</li> <li>+ pressure on the quality of educational services</li> <li>+ choice of educational opportunities in accordance with student preferences</li> <li>+ individual responsibility for the selection of courses and personal development</li> <li>+ higher motivation to complete the course</li> <li>+ the possibility of targeting the support</li> <li>+ improvement of information and counseling networks</li> </ul>	<ul style="list-style-type: none"> <li>- risk of financial insolvency of student</li> <li>- financial costs of the system</li> <li>- the risk of lower orientation in the educational offer and lower ability to evaluate its quality by individuals</li> </ul>

**Table 2: Instruments of demand side financial support of adult education (part 2)**

Tax allowance	+ immediate introduction and easy administration of the tool within the framework of the existing tax system + the possibility of targeting the support	- reduction in tax income - accessible only for persons with taxable income - lower benefits for low-income group - greater demands on the knowledge of citizens in the area of taxation issues - the need to ensure own cash funds for direct payment of educational services - the risk of misuse of tax allowances
Individual educational saving accounts	+ support of individual responsibility for securing funds for financing education + individual responsibility for the selection of courses and personal development + choice of courses according to the needs of student + higher motivation to complete the course + quality control + improvement of information and counseling networks + pressure on the quality of educational services	- longer time of savings needed to ensure a sufficient amount of funds - problems of assessment of deposited funds - creation of resources depends on activities and interests of individuals - more accessible to individuals with higher incomes - the risk of unwanted utilization of saving accounts for appreciation funds that are not create for the purpose of financing education in future - necessity of legislative change
Paid study leaves	+ maintenance of employment after graduation + security of income during the period of study + during the time of temporary absence of learners it is possible to give work to unemployed persons	- higher wage cost for employers
Free courses offer	+ better accessible of education to wider group of adults	- a significant burden on public resources
Ensuring or extending the range of additional services	+ help to harmonize study with work and daily responsibilities of adult	- necessity to identify adults' needs for the purpose of their ensuring
<b>Demand-side support of employers</b>		
Instrument	Advantages	Disadvantages
Tax deductible educational costs	+ immediate introduction and easy administration of the tool within the framework of the existing tax system + reduction in tax liability of employers + the possibility of targeting the support	- lower tax revenues for public budget - the need to ensure funds for direct cash payment of educational fees - risk of increase in amount of tax legislation and reduction in its clarity - the risk of limited transparency of the system
Tax advantage	+ immediate introduction and easy administration of the tool within the framework of the existing tax system + reduction in tax liability of employers + in the case of insufficient income the possibility of tax bonus + the possibility of targeting the support	- lower tax revenues for public budget - the need to ensure funds for direct cash payment of educational fees - risk of increase in amount of tax legislation and reduction in its clarity - the risk of limited transparency of the system
Privileged access to external financial resources	+ easier access to external resources + the possibility of targeting the support	- burden on public budgets - risk of financial insolvency of companies
Support the creation of corporate resources for education	+ in the case of obligatory payments all employers share the cost of positive externalities of education + lower risk of loss of corporate investment in employees' training + selection of educational activities according to the needs of employers + the impossibility to use funds for other purposes than education + regular security of funds for further education + promotion the responsibility of the employer for the knowledge development of workforce + pressure on the quality of educational services + quality regulation of educational services + support the competition among providers of education + improvement of information and counseling networks	- the necessity of separate legislation - the cost of establishing and operating the fund - increase the risk of the financial burden of employers that can be transferred into wages
Subsidy of educational costs	+ reduction in employers' training costs	- burden on public budgets
Free human resources development consultancy	+ satisfaction of employers' individual needs	- the results achieved after a longer period of time - utilization of tool depends on the willingness and interest of employers - financial burden on entities providing support
<b>Demand-side support of other interest groups</b>		
Instrument	Advantages	Disadvantages
Grants	+ additional funds to own financial resources	- demanding administration associated with obtaining and using grants - obligation of co-financing
Tax allowance	+ favorable conditions for business	- reduction in public income

Source: author

**Table 3: Forms of financial support according to the selection criteria**

Criteria	Accessibility of support to the wide target group	Speed of implementation of tool	Administrative costs of public budget	Risk of abuse	Transaction safety	User-friendly form of support
Payments subsidies for educational courses	yes	shorter time	higher	higher	low	higher
Support of other costs associated with education	yes	shorter time	higher	higher	low	higher
Compensation for reduction in income as a result of further study	only persons with an income	shorter time	higher	low	high	high
Support of the living costs during a period of study	yes	shorter time	higher	higher	lower	higher
Educational vouchers	yes	shorter time	lower (in the case of system management by external body)	low	high	high
Scholarships, grants	yes	longer time	higher	lower	higher	lower (demanding application process)
Study loans	less suitable for low-income group	longer time	lower (in the case of management by external body)	lower	high	lower (demanding application process)
Tax allowance	less suitable for low-income group (insufficient tax support)	immediately	low	lower	high	lower (necessity of knowledge of the tax legislation)
Individual educational saving accounts	less suitable for low-income group	longer time	lower (in the case of management by external body)	lower	high	lower (necessity of individual's saving activity)
Paid study leaves	only for employed persons	shorter time	higher	low	high	high
Free courses offer	yes	shorter time	high	low	high	high
Free courses offer	yes	shorter time	high	low	high	high
Ensuring or extending the range of additional services	yes	shorter time	lower	low	high	high
Free courses offer	yes	shorter time	high	low	high	high
<b>Demand-side support of employers</b>						
Tax deductible educational costs	yes	immediately	low	lower	high	lower (necessity of knowledge of the tax legislation)
Tax advantage	in dependence on the amount of income	immediately	low	lower	high	lower (necessity of knowledge of the tax legislation)
Privileged access to external financial resources	yes	shorter time	higher	higher	lower	more demanding administration
Support the creation of corporate resources for education	yes	longer time	lower (in the case of management by external body)	lower	high	lower (necessity of individual's saving activity)
Subsidy of educational costs	yes	shorter time	higher	higher	low	higher
Free human resources development consultancy	yes	shorter time	higher	low	high	high
<b>Demand-side support of other interest groups</b>						
Grants	yes	shorter time	higher	higher	lower	higher
Tax allowance	in dependence on the amount of income	immediately	low	lower	high	lower (necessity of knowledge of the tax legislation)

Source: author

The final choice of instruments and the creation of their particular form depend on the conditions and needs of the society. The group of tools represents possibilities for choice the most appropriate form of financial support whose concrete form depends on specific circumstances of the problem situation.

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It is necessary to finally note that this essay is devoted to only one area of the wide range of tools that may stimulate educational activities. The solution of the low participation of adults in education does not rest only in elimination of financial obstacles of adult learners. There are other major factors reducing their motivation to continue in education. In addition to financial support instruments there are also essential non-financial measures aimed to reduce or eliminate the time and information barriers of adult education. These are mainly alternative methods of adult education, high-quality information system and consulting services. Analysis of these measures already exceeds thematic intent of this paper. At least for illustration, the following chart briefly illustrates the basic classification of the all supportive measures. Highlighting part in the scheme represents the area at which this paper has been aimed.

## Supportive measures

### I. Financial support

it solves the shortage of financial resources

#### A. Supplied side oriented support

#### **B. Demand side oriented support**

##### **The target groups:**

- **individuals**
- **employers**
- **other interest groups**

### II. Non-Financial support

it solves other non-financial obstacles, in particular the time and information barriers of adult education

#### A. alternative methods of adult education

- teaching methods adjusted to the needs of adult learners
- recognition of qualifications systems

#### B. high-quality information system

#### C. consulting services

Due to the required volume of papers the focus of this paper was narrowing only to defined part of the total group of incentive measures.

## Conclusion

In addition to lack of time, the cost of education and the availability of the necessary funds are included among the critical factors of adult education. Motivation and participation in adult education depend on a number of factors but research projects dealing with the issues of the various obstacles that discourage from the education point to the same

group of these causes. Financial reasons take the front places in the rank of "most serious" limitation.

The financial framework of continuing education would also include effective tools which remove or at least alleviate the impacts of individual budget constraints. There are a number of methods which should support greater participation of adults in educational activities. Support measures may have very diverse forms that include for example the tax allowance, subsidy of saving accounts, loans, vouchers, free courses. The range of support depends on the extent of public budgets and their involvement in the funding of further education.

Despite of the considerable amount of existing tools it is not possible to automatically introduce the measures without knowledge about their main advantages and disadvantages as well as the consequences of their implementation. The elaboration of the detailed analysis of individual instruments was the aim of presented paper. This paper aimed at the identification and assessment of existing financial instruments focused on demand side of educational market. With operation of each support there are associated benefits and risks. Clear recommendation for the selection of the concrete and the best tools can be made only on the basis of knowledge and assessment of particular situation.

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