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International Labour Organization

How to finance the skills challenge?

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Skills





This presentation will consider..

- the financing challenge in the context of COVID and SDG implementation
- innovative financing measures being considered to increase funding of education and training
- funding mechanisms for the upskilling and reskilling challenge



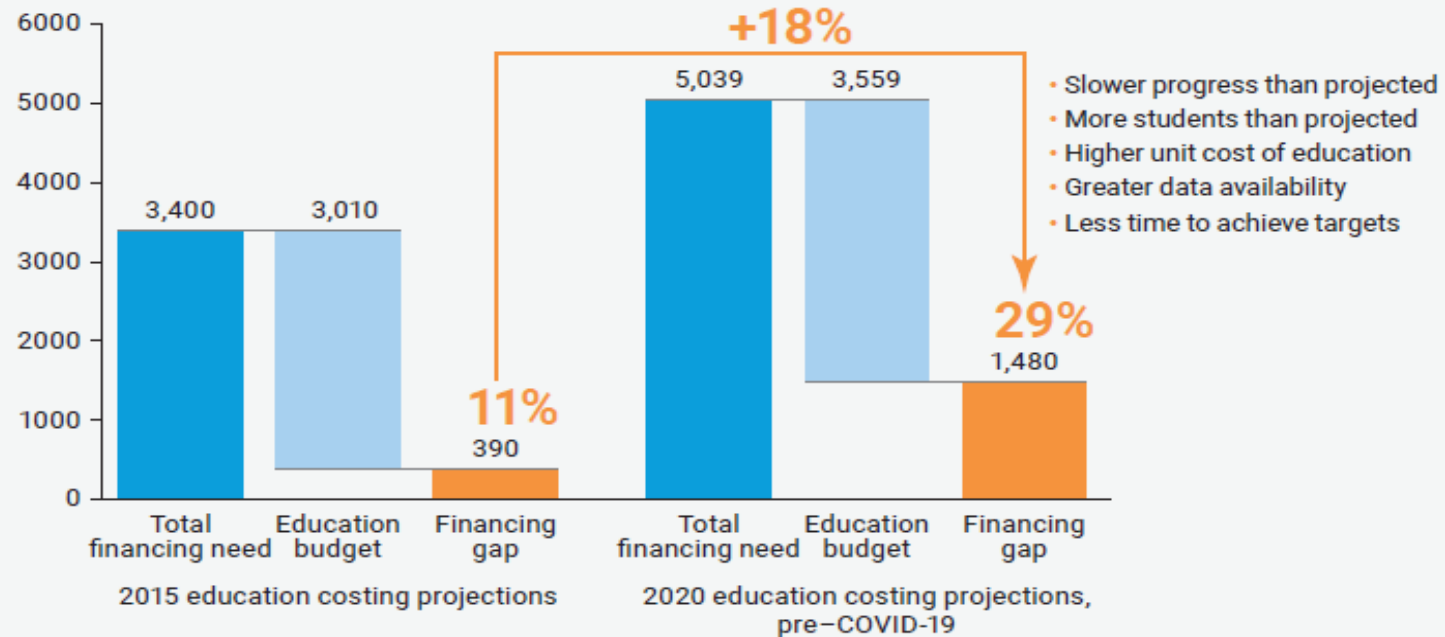
Where are we?

- the pandemic has pushed the world into the deepest global recession in living memory with lasting effects on economies and public finances
- in response, many countries have adopted large-scale fiscal packages to support incomes and businesses
- rising inactivity is a notable feature of the current job crisis calling for strong policy attention to labour market programs
- as fiscal pressures increase, and ODA comes under strain, financing of education and training will face major challenges, exacerbating pre-COVID-19 funding gaps



The financing crunch

FIGURE 1: PRE-COVID-19 FINANCING GAP TO REACH SDG 4
(millions of dollars)



Source: UNESCO Global Education Monitoring Report (2020). New realities for education affected by COVID Cost predictions.



Key strategies

National authorities and the international community need to protect financing for education and training by:

- strengthening domestic revenue mobilization
- preserving the share of expenditure for education and training as a top priority
- tackling inefficiencies in spending
- strengthening international coordination to address the debt crisis
- protecting ODA for education and training



Innovative financing

- International Commission on Financing Global Education Opportunity called for further development of five promising proposals:
 - impact investing;
 - education bonds
 - Income contingent loans / income share agreements;
 - disaster insurance for education; and
 - solidarity levies.
- national accounts should count education and training as consumption not investment to reduce public deficits and create fiscal space for greater investment
- innovation in financing education and training comes from partnerships with non-state actors



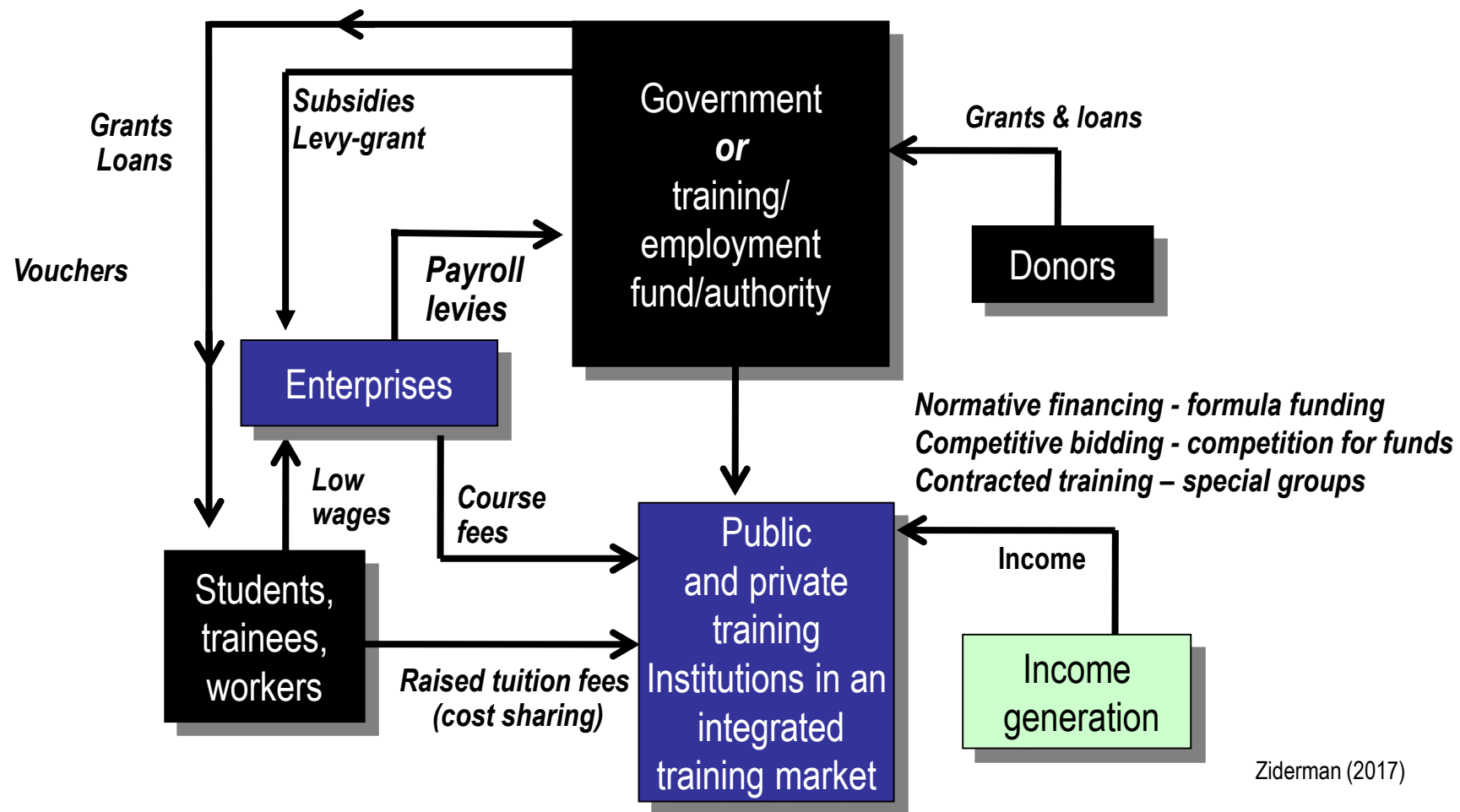
Innovative financing



See: <https://www.norrag.org/>



Integrated & demand-driven training markets are key





Cost sharing measures

- cost sharing of training - Joint Purchase Training Scheme in Finland
- cost sharing of intermediary organisations - Group Training Organisations Australia
- linking Corporate Social Responsibility (CSR) obligations with education and training - 2% profit to CSR in India
- national or sectoral training funds linking workplace and labour market training - Malaysia
- LLL entitlement systems - France and Singapore



Individual learning entitlements

- these such entitlements generally emerge from one of three policy environments: Education & Training, Employment or Social Protection
- many countries have elements of a comprehensive system and the necessary infrastructure in place but not under a single policy
- different models exist. Some put entitlements in the hands of employers, others in the hands of learners. Some require a contribution from learners or employer, others cover the full cost.
- Korea, Scotland, Australia, Japan, Vietnam, Malaysia, Thailand, USA, Morocco, England, EU (Youth Guarantee) provide examples but interest is growing (ILO, WEF, OECD)



Conclusion

- financing of education and training will face major challenges, exacerbating pre-COVID-19 funding gaps
- domestic revenue mobilization constrained
- efforts to preserve the share of expenditure for education and training emerging as a top priority
- inefficiencies in spending must be addressed
- cost sharing measures must be explored
- including the potential of combining training funds and learning entitlements to address individual and labour market needs



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Thanks for your attention

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