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COMMISSION STAFF WORKING DOCUMENT

Executive Summary to the Impact Assessment

Accompanying the document

PROPOSAL FOR A COUNCIL RECOMMENDATION

on a Quality Framework for Traineeships

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1. INTRODUCTION

Over the last two decades, traineeships have become an important entry point into the labour market for young people¹. Although they are increasingly a standard feature of our labour markets, their spread has been accompanied by growing concerns about the learning content and the working conditions they provide. To effectively facilitate access to employment, traineeships must offer quality learning content, adequate working conditions and should not be a low cost replacement for regular jobs.

Following repeated calls by the European Parliament² and the European Council³, the Commission last year launched consultations with social partners and announced that it would present a Quality Framework for Traineeships (QFT) by the end of 2012⁴.

The Impact Assessment aims to identify and analyse which policy options could increase the share of quality traineeships, notably by providing standards for best practice and by discouraging substandard placements. The Impact Assessment builds upon the Analytical Document presented by the Commission in December 2012 in the context of the social partner consultation⁵ on a QFT. It adds previously unavailable data on the number and quality of traineeships, provides new evidence linking quality problems with poorer employment prospects for the trainees concerned and puts forward proposals for a QFT that effectively enhances trainees' employability. New proposals on transparency are aimed at making it easier for young people to differentiate quality traineeships from substandard ones.

¹ According to the 2013 Eurobarometer survey (Flash Eurobarometer 378), 74% more respondents underwent a traineeship than an apprenticeship; the share was 77% more than a student job and 43% more than those who had none of these experiences. Source: Commission elaboration of Eurobarometer Volume B, responses to Q1, p. 1.

² EP 2009/2221(INI), 6.7.2010.

³ EC Conclusions of December 2012, February 2013 and June 2013.

⁴ SWD(2012)407 final, Brussels 5.12.2012.

⁵ SWD(2012)407 final, Brussels 5.12.2012.

2. CONSULTATIONS AND STAKEHOLDERS' VIEWS ABOUT THE MAIN PROBLEMS AFFECTING TRAINEESHIPS

Public consultation

The Commission has consulted with a wide range of stakeholders on the problems related to traineeships and possible solutions. The results of these consultations were extensively reported upon in the above-mentioned Analytical Document.

In the 2012 public consultations, trade unions, NGOs, youth organisations, educational institutions and most individual respondents generally supported a Commission initiative. While employer organisations, chambers of commerce and Member States supported the initiative in general, they often referred to the need to keep the framework sufficiently flexible to take into account the diversity of national practices.

As regards the elements to be included in a future QFT, most respondents agreed with the Commission's analysis (traineeship contracts, clear objectives and content, placement duration, adequate social security/remuneration, etc.). Businesses and some employers' organisations argued that remuneration and social protection issues do not fall under EU competence.

Consultation with social partners

A two-stage social partner consultation on the QFT initiative took place between October 2012 and February 2013. The EU social partners did not initiate negotiations on a possible agreement under Article 154 TFEU; therefore the Commission decided to present its own initiative, taking into account the views expressed in the consultation. The European social partners' Framework of Actions on Youth Employment (June 2013) noted the Commission's intention to draw up a proposal for a Council Recommendation on a European QFT. Following a consultation of SMEs through the UEAPME in 2012, an SME survey was conducted between March and June 2013 to investigate the quality of traineeships provided by SMEs (from an employer perspective), as well as examine the compliance costs of potential QFT measures.

3. PROBLEM DEFINITION

3.1. Regulatory framework

The Traineeship study maps the regulatory framework for traineeships and points out that it varies widely both among the different types of traineeships and across Member States. At one end, France regulates all types of traineeships by law, while in countries such as Bulgaria and the UK there is no specific legal framework for trainees. Less than half of the Member States have provisions on duration, remuneration or social protection coverage. In 11 Member States there are still legal and administrative barriers to trainees coming from another Member State, hampering the development of transnational traineeships.

More generally, there are as yet no internationally agreed standards on the characteristics that traineeships should have in order to be considered good quality.

3.2. Problem definition

Both the public consultation and the Traineeship study list a range of problems currently affecting traineeships in the EU. There are two main problem areas for potential EU-level intervention: insufficient learning content and unsatisfactory working conditions.

1) The **learning content** problem relates to complaints that trainees are put to work doing menial tasks instead of receiving meaningful training. This is not only an ethical issue — if too many traineeships provide insignificant learning, they may acquire a bad reputation, undermining their effectiveness in smoothing young people’s transitions from school to employment.

2) The **working conditions** issue relates to complaints such as long working hours, lack of coverage for health and safety or occupational risks, lack of clarity on the applicable rules and regulations, equal treatment, etc.

In the remainder of the analysis, we define as *substandard* those traineeships that are unsatisfactory with respect to either learning content or working conditions.

In addition to the previous two problems, stakeholders highlighted the issue that a large number of traineeships are unpaid or offer compensation that does not cover trainees’ basic living costs. This creates an *equal access problem*⁶. Furthermore, the fact that an increasing number of traineeships are unpaid could create a trend in the labour market where employers replace paid workers with trainees⁷. The issue of pay or compensation itself will not be addressed at EU level for subsidiarity reasons. Yet, more transparency would allow the labour market to function more efficiently.

While there seem to be no complaints about the low number of domestic traineeships, there is a low number of *transnational* traineeships. This appears to be an important missed opportunity in terms of reducing youth unemployment through mobility, as transnational traineeships could be a key facilitator of employment abroad and many vacancies cannot be filled on the local job market.

How common are quality problems?

A Eurobarometer survey was conducted among 13 000 people in the EU and Croatia about their traineeship experience.

The answers made it possible to quantify the key quality elements identified by the Traineeship study. The survey found that while the majority of traineeships were of sufficient quality, a significant minority were not. In particular, 18 % of traineeships were reported to have insufficient learning content, while in one in four cases working conditions (excluding pay) were not comparable with those of regular employees in terms of working hours, leave conditions, etc. Overall, 30% of traineeships were found to be deficient in terms of either learning content or working conditions. Traineeships were often found to fall short on both counts⁸.

Regarding transnational traineeships, only 9% of all traineeships take place in another country. Uncertainty about conditions abroad plays an important role in preventing the development of the transnational traineeship market: according to the Eurobarometer survey, 38% of those who did not undertake a traineeship abroad, but would have liked to, indicated that lack of information was the main obstacle.

The econometric analysis of the Eurobarometer results found that *those who had done a substandard traineeship were significantly less likely to find a job afterwards*. Quality

⁶ According to the UK’s Low Pay Commission in its report on National Minimum Wage (2011), a traineeship is increasingly becoming a precondition for a job.

⁷ The UK’ Low Pay Commission writes in its 2013 report about ‘widespread non-payment of the minimum for positions that appear to be work’.

⁸ As regards no or low pay, about half of traineeships are unpaid and a further 25% do not provide enough compensation to cover basic living costs.

traineeships not only clearly translate into a higher chance of being offered a work contract by the same organisation, but are also associated with lower unemployment risks later.

The data confirmed the link between quality and the intention to hire. The best quality traineeships are typically offered by host organisations aiming to hire personnel. It also explains the strong correlation between quality and pay — pay signals that the host organisation is willing to ‘go the extra mile’.

3.3. Problem drivers

The causes for the existence of substandard traineeships relate to both the supply and the demand side. On the supply side, the host organisation may offer substandard traineeships because it does not know how to ensure quality (*unintentional low quality*); alternatively, the supply of substandard traineeships may be intentional and due to a conscious profit maximisation strategy. The problem drivers differ depending on the case.

As regards unintentional low quality, the SME test results consistently show that many SMEs do not apply the quality elements identified by the Traineeship study, and yet the greater majority of them declare that they would not find it problematic to implement them. It is impossible to measure exactly the proportion of *unintentional* substandard traineeships, but on the basis of the SME test results, we might quantify it tentatively at between 20% and 35% of those traineeships that are insufficient in learning content.

On the demand side, the main reason that candidates apply for substandard traineeships is lack of transparency (*information asymmetry*). The quality of the traineeship is difficult to assess before it is started, and once begun, the trainee has neither the possibility nor the incentive to complain. Hence, the traineeship market can be described as being characterised by an equilibrium in which a certain share of traineeships is substandard.

4. LEGAL BASIS AND SUBSIDIARITY

Legal basis

The legal basis for this initiative is Article 153 TFEU, whereby the Union shall support and complement Member States’ activities in the field of, *inter alia*, working conditions, social security and the social protection of workers, as well as in the integration of persons excluded from the labour market and in combating social exclusion.

Subsidiarity

As regards the benefits of standardisation, an EU-wide solution would present several advantages:

- The quality guidelines adopted or proposed by different bodies in different countries appear quite similar. The main differences are in remuneration and the presence of certain compulsory or binding elements, such as limitations on successive traineeships, which are usually absent from voluntary charters. This suggests that there is no great need to adapt quality standards to local conditions.
- Second, an EU-wide solution would have benefits in terms of trainee mobility. Young people would find it easier to accept a traineeship in another country if the existing standard practices or rules provided them with a clear understanding of what to expect.
- Third, experience shows that, on account of coordination problems, the definition of internationally accepted quality standards would occur faster if supranational institutions adopted a coordinating and supporting role. The EU is best placed for this, as there seems to be little or no spontaneous development of international quality standards.

Member States could independently adopt measures to improve the quality of traineeships. In practice, however, they have repeatedly called upon the Commission to adopt a QFT (for example, see the conclusions of three recent European Councils: December 2012, February 2013 and June 2013).

In a situation of diverging regulatory frameworks, it would help to have a common understanding of what a traineeship is and of its minimum standards. This would help to shape Member States' policies and regulatory approaches. In this way, the EU could give concrete support to Member States in implementing the Europe 2020 employment guideline nr 8, in particular 'enacting schemes to help recent graduates find initial employment or further education and training opportunities, including apprenticeships, and intervene rapidly when young people become unemployed.' This would address one key obstacle for cross-border mobility — the lack of information in an area of great regulatory fragmentation — and the Recommendation would help to underpin the support provided by ERASMUS+.

5. POLICY OBJECTIVES

The general objectives of an initiative in this domain are the following:

- (1) Improve the quality of traineeships, in order to increase the contribution of traineeships to successful education-to-work transitions;
- (2) Reduce mismatches in the European labour market by promoting the development of transnational traineeships.

In order to meet these general objectives, the following specific objectives have been chosen:

- (1) Increase the share of quality traineeships;
- (2) Discourage abusive practices while keeping the compliance costs for Host Organisations (HOs) limited;
- (3) Enhance information on and facilitate access to transnational traineeships.

The operational objectives are:

- (1) Provide a framework / standards / guidelines that Member States, HOs, social partners or other entities can use as a reference for actions to foster the development of quality traineeships and facilitate transnational traineeships;
- (2) Ensure the effective take-up of this framework / these standards or guidelines in EU policy instruments, notably the Youth Employment Initiative (YEI), the European Semester process and EU financial programmes.

6. POLICY COHERENCE AND CONTRIBUTION TO EUROPE 2020 OBJECTIVES

In 2010 the Europe 2020 flagship initiative 'Youth on the Move' announced that the Commission would propose a quality framework for traineeships. The Youth Opportunities Initiative of 2011 and the Employment Package, as well as the Youth Employment Package of 2012 confirmed this commitment. Quality traineeships are also an integral part of the Youth Guarantee concept and therefore their development is a key objective of the 2013 Youth Employment Initiative.

Guidelines on traineeships appear particularly useful for countries with little experience or tradition of working in partnership with business. A QFT would help the Commission to

monitor progress on the above recommendations and suggest further action to Member States where needed.

Furthermore, a standardised EU solution will support the extension of EURES to apprenticeships and traineeships, as requested by the European Council conclusions of 28/29 June 2012. Similarly, quality requirements for traineeships are needed to ensure the effectiveness of traineeships offered in the context of the Youth Guarantee (see Council Recommendation of 22 April 2013).

7. POLICY OPTIONS

Table 1 Overview of options

Option number	Name	Type	Short description
0	Baseline	-	No policy change
1	Information website	Information	Creation of an information website for trainees with all regulations and types of traineeships per Member State
2	Voluntary quality label	Information	Quality label for traineeships on a completely voluntary basis
3a	Council Recommendation on a Quality Framework for Traineeships 'basic' (QFT 'basic')	Guideline	A traineeship agreement would have to be signed between the trainee and the HO. The agreement would have to include information on objectives, learning content and monitoring, duration, remuneration or compensation, and social security coverage.
3b	Council Recommendation on a QFT with enhanced transparency (QFT + transparency)	Guideline	Information on pay / compensation in the vacancy notice + transparency requirements on hiring policy for unpaid traineeships
4	Directive on a QFT + enhanced transparency	Regulation	Same as 3b but in the form of a directive

8. ANALYSIS OF IMPACTS

8.1. Option 0 — Baseline

Looking at developments on the ground, limited headway has been made towards the spontaneous development and adoption of global or EU-wide quality standards. Member State initiatives are scarce, and although there is a European Quality Charter on Internships and Apprenticeships, it has been drawn up by youth organisations under the umbrella of the European Youth Forum, and its acceptance by businesses is limited. In the absence of further national or more widely accepted international initiatives to enhance the quality of traineeships, the overall proportion of substandard traineeships is likely to increase owing to the effects of the crisis, or at best stay constant.

8.2. Option 1 — Information website

Option 1 consists of creating an information website containing complete, detailed and regularly updated information on the rules and regulations applicable to all types of traineeships, in each Member State. The website, possibly set up within the EURES portal, would include links to the relevant authorities in Member States.

This tool addresses one aspect of the lack of information problem, i.e. the lack of general information on existing national regulation. However, it neither provides any information on the quality of specific traineeship positions on offer nor real incentives to HOs to improve the quality of their traineeships. Hence, the impact of this option on traineeship quality is positive but modest, as greater awareness of rights has been shown to be of limited effectiveness on domestic traineeships. It might have a stronger impact on stimulating transnational traineeships, owing to the greater difficulty of finding information for foreign countries. Overall, this measure could be used to complement other solutions, rather than as a stand-alone option. While this option has limited effectiveness (as it is unlikely to change the balance between substandard and quality traineeships) and efficiency, it is consistent with the mobility objective.

8.3. Option 2 — Voluntary quality label

Option 2 consists of setting up a quality label at EU level to certify that HOs that voluntarily apply for it adhere to certain quality standards. The criteria for the award of the quality label could vary significantly by country or sector; alternatively, one could seek to define similar or even identical criteria for the entire EU.

The quality principles could be developed in cooperation with social partners, specifying minimum standards for the format, learning content and working conditions of the traineeship. By voluntarily committing to respect the principles, HOs could present themselves as ‘fair to trainees’ or similar. The quality label could also include commitments on remuneration and social security coverage.

This non-regulatory approach has the merit of encouraging and guiding HOs by providing a reference for quality standards while its voluntary nature ensures that the compliance burden for HOs would remain acceptable. This option might also stimulate cross-border traineeships.

The main disadvantage of this option is the risk that few organisations will bother to apply for the label, as demand for traineeships outstrips supply. The take-up rate for existing examples of quality labels is currently extremely low: in Italy, a few dozen companies have applied for the OK stage label, representing a take-up rate of about 1 in 10000. The situation does not seem to differ elsewhere; hence this option appears ineffective.

Overall, in terms of effectiveness this option should help the development of transnational traineeships, but is unlikely to change the balance between substandard and quality traineeships. On the other hand, the option can be considered efficient given the relatively low cost.

8.4. Option 3 — Council Recommendation on a Quality Framework for Traineeships

This measure would consist of a Commission proposal for a Council Recommendation on a Quality Framework for Traineeships (QFT) to be transposed by Member States in national practice and/or the national legal system. The recommendation would ask Member States to ensure that a written traineeship agreement is made compulsory, which is currently not the case in many Member States. The agreement would include a series of straightforward

elements that have been shown to increase the quality of the traineeship experience, such as the identification of learning objectives, a mentor, working conditions, etc.

Two sub-options are proposed: in option 3a, the Council Recommendation would only consist of ‘basic’ quality guidelines. In option 3b, the content of the QFT is strengthened by including additional transparency requirements that will generate incentives for quality traineeships and/or disincentives for substandard traineeships.

8.4.1. Option 3a — Council Recommendation on a Quality Framework for Traineeships ‘basic’

The QFT would require both parties to conclude a written traineeship agreement. The elements for inclusion represent a middle-of-the-road approach compared to those that have been introduced in a series of recent initiatives by various types of bodies.

Box 1 Key quality elements identified in the Traineeship study

The Traineeship study surveyed the situation in all EU-27 Member States and for all types of traineeships with the aim of pinpointing best practices, starting from the principle that a quality traineeship should enable the trainee to acquire practical skills geared to labour market needs and complementary to the trainee's theoretical studies, in order to enhance the trainee's employability.

A number of principles characterise a quality traineeship. One fundamental point is the presence of a mandatory traineeship agreement. A quality traineeship should be based on an agreement between the trainee and the host organisation (i.e. company, public agency, etc.). In this respect it is worth noting that the 2013 Eurobarometer survey on traineeships reports that only 62% of trainees signed a written agreement⁹.

The traineeship agreement should cover the following elements, identified by the study as the most important:

- *Objectives, content and monitoring:* Traineeships should enable the trainee to acquire practical skills complementary to his or her theoretical studies. The guidelines of the study require that the validity of the educational content is ensured by a personal supervisor or mentor assigned to each trainee by the host organisation. The supervisor's role is to guide the trainee through the assigned tasks, monitor progress, and explain general work processes and techniques. The guidelines also require that the supervisor provides an evaluation of the trainee's performance in the form of a short final evaluation (of 1 to 2 pages), which may take the form of a letter of reference.
- *Duration:* Open-market traineeships should generally not last longer than six months. This recommendation, however, is not applicable to the mandatory post-graduation professional training of doctors, lawyers, teachers and the like, which exist in most Member States and tend to be both longer and highly regulated¹⁰.
- *Working conditions:* The agreement should specify the working hours and rights to holidays, as well as rules on sick leave;
- *Remuneration/cost compensation:* If there is a mutual benefit for both the host organisation and the trainee in terms of knowledge transfer and learning, unpaid traineeships may be appropriate. Hence, the quality guideline only stipulates that the written agreement specifies clearly what, if any, compensation or remuneration is offered.
- *Social security provisions:* Social insurance provisions applying to the trainee must be clear to all parties involved, particularly the health insurance coverage and the insurance against workplace accidents. In most Member States, students are provided with social insurance by the state or their educational institution, and are therefore insured against health risks and accidents during their traineeships. However, if the trainee is no longer a student the situation may not be so clear. If the traineeship is covered by an employment contract, employer and employee need to meet insurance obligations as stipulated by labour law in the country concerned. If this is not the case, the contractual arrangement should specify insurance schemes to be paid by the host organisation or the trainee.

Source: Traineeship study, p. 127 (European Commission, 2012)

This option would entail the risk that some employers would stop providing traineeship places in the future, should they come to realise that the traineeship places they had offered were not of good quality. They might consider that certain elements of the quality framework (e.g. specifying the learning content) would result in too high a cost for the traineeship. However, this potential negative impact — given the manageable implementation costs — appears more theoretical than real, and in any case may be offset by an increase in quality traineeships (clear conditions as to what is expected in terms of traineeship quality may encourage employers to improve their offer).

⁹ Flash Eurobarometer 378, section 2.1.3, p. 36.

¹⁰ Likewise, the study excludes from this recommendation the so-called 'traineeship programmes' for recruitment at higher levels of management.

One important question that remains is the effectiveness of the impact on substandard traineeships owing to enforcement problems. Furthermore, regulatory solutions are likely to be least effective in Member States with weaker enforcement mechanisms, which may be exactly those where the need is greatest.

Overall, a quality framework endorsed at European and national level would in all likelihood lead to a reasonable improvement in the quality and transparency of traineeships in the medium term. The QFT is a proportionate EU level action that can contribute to achieving the intended objective. In terms of effectiveness, a QFT basic option could help the development of transnational traineeships but will not substantially change the balance between substandard and quality traineeships. As far as efficiency is concerned, compliance costs are low and diminishing over time. From a coherence point of view, uneven implementation may not be consistent with the mobility objective.

8.4.2. *Option 3b — Council Recommendation on a Quality Framework for Traineeships with enhanced transparency*

This option would add to the QFT as spelled out above new transparency requirements. Traineeship vacancy notices would have to indicate whether or not the traineeship is paid and, if it is paid, the level of remuneration or compensation.

Furthermore, HOs offering **unpaid** traineeships would, at the time of concluding the traineeship agreement, have to disclose information about their recruitment policies; specifically, they would have to disclose the number of trainees that were offered a paid work contract at the end of their traineeship^{11 12}.

This option is aimed at improving the functioning of the traineeship market by improving its transparency. HOs sometimes lure prospective candidates with attractive-sounding traineeships, but avoid revealing information about the financial conditions until late on in the selection process, when candidates have already made a substantial effort to get selected and are in a weak position psychologically to negotiate or refuse a low-paying proposition. The Eurobarometer survey found that this was actually the most frequent case (46% as opposed to 42% of cases in which compensation was clearly indicated).

The measure is simple, has practically no compliance costs for legitimate traineeships and discourages unscrupulous practices. It is expected to have a tangible impact. General acceptance for publishing the remuneration conditions in the vacancy notice should be high, given the close to 90% acceptance in the SME test. Acceptance for the transparency requirement on hiring policies will probably be lower given its innovative nature; nevertheless, its compliance costs are negligible. This option's effectiveness is rated positively given that it is expected to have tangible effects. It is also efficient as it involves practically no compliance costs for legitimate traineeships.

8.5. **Option 4 — Directive on a Quality Framework for Traineeships**

Content-wise, this option would be the same as Option 3b, i.e. a Commission proposal for a QFT with transparency requirements, but in contrast to option 3b, the Commission proposal would take the form of a directive based on Article 153 2(b) TFEU.

¹¹ For simplicity and other reasons, this applies only to appointments that take place in the same location as traineeships.

¹² It should be noted that, as with all other options, this would not apply to traineeships organised by schools, universities and other learning institutions prior to graduation.

The effectiveness of a directive can be rated as positive, as its effects are likely to be tangible. Similarly, it would appear to be an efficient solution involving practically no compliance costs for legitimate traineeships while discouraging unscrupulous practices. From a coherence point of view, EU-wide implementation would ensure better consistency with the mobility objective. In spite of these advantages, this option appears to be less proportionate than a Council recommendation. Making the choice between a Council recommendation and a directive depends on an assessment of the relative importance of devolved decisions at the lowest possible level, the need to use mobility to fully exploit the possibilities offered by the Single Market to reduce youth unemployment, and the balance between the need to approve measures quickly and the benefit of wide, simultaneous adoption across the EU. On balance, there is no need to aim for full harmonisation of the different national traineeship laws. A Council recommendation is therefore the preferred option, with the possibility of resorting to a directive later on should the Council Recommendation proves insufficient in mobilising Member State action.

9. MONITORING

The biggest challenge to monitoring the impact of the envisaged options on developing the traineeships market is the lack of relevant statistics in the area of traineeships. Steps have already been taken at administrative level by DG Employment to address this issue by adding a traineeships module to the Eurostat Labour Force Survey (LFS). This could however take some three years. In the meantime, a follow-up Eurobarometer survey could be organised, for monitoring purposes, at a suitable interval after new rules on traineeships are adopted. The format of the 2013 Eurobarometer survey on traineeships is a good basis for a future monitoring survey as it provides detailed information on the quality of traineeships. Analysing the impact on employment outcomes would, however, require a longitudinal survey. The feasibility of such a survey should be discussed with Eurostat when inclusion of the module in the LFS is more advanced.

Commission services will also need to monitor the adoption of new regulations in the Member States following approval of a Council recommendation or of a directive.

Furthermore, the European Semester coordination mechanisms together with the Youth Guarantee implementation mechanisms could also be applied to monitoring the implementation of a Council Recommendation on traineeships.