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COVER NOTE

From:	Secretary-General of the European Commission, signed by Ms Martine DEPREZ, Director
date of receipt:	10 December 2021
To:	Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of the European Union
Subject:	*REGULATORY SCRUTINY BOARD OPINION* Proposal for a COUNCIL RECOMMENDATION on individual learning accounts

Delegations will find attached document SEC(2021) 417 final.

Encl.: SEC(2021) 417 final

EUROPEAN COMMISSION

Brussels, 8.10.2021
SEC(2021) 417 final

REGULATORY SCRUTINY BOARD OPINION

Proposal for a COUNCIL RECOMMENDATION On individual learning accounts

{COM(2021) 773 final}
{SWD(2021) 368 final}
{SWD(2021) 369 final}
{SWD(2021) 370 final}

EUROPEAN COMMISSION
Regulatory Scrutiny Board

Brussels,
RSB

Opinion

Title: Impact assessment / Individual learning accounts to empower adults to develop skills throughout their working life.

Overall opinion: POSITIVE WITH RESERVATIONS

(A) Policy context

Progress in increasing participation in adult learning in the EU has been limited. The adult learning participation rate was 37.4% in 2016. In March 2021, the European Pillar of Social Rights Action Plan set an EU target of 60% of adults participating in training every year by 2030.

Council Conclusions call on Member States to strengthen their provisions on individual training entitlements. This should include, where appropriate, individual learning accounts. These are personal accounts in which training entitlements can be accumulated and spent on quality-assured training.

This initiative aims to tackle barriers to participation in training by supporting Member States in their reforms to empower adults to participate in training. The ultimate objective is to increase participation rates and reduce skills gaps.

(B) Summary of findings

The Board notes the useful additional information provided in advance of the meeting and commitments to make changes to the report.

However, the report still contains significant shortcomings. The Board gives a positive opinion with reservations because it expects the DG to rectify the following aspects:

(1) **The report does not explain sufficiently the gaps this initiative aims to fill and its coherence with the various EU instruments aiming to support adult learning. It does not explain the status of the 60% target and how and why it drives the analysis and the comparison of options.**

(2) **The report is not sufficiently clear on how the baseline takes into account the existing EU policy and funding for adult learning as well as initiatives at Member State level.**

(3) **In discussing impacts, the report does not sufficiently acknowledge the level of**

This opinion concerns a draft impact assessment which may differ from the final version.

uncertainty as to Member States' take-up of the recommendations. It does not assess to what extent the estimated costs and benefits will be affected by Member States' implementation choices.

(4) The report is not sufficiently clear on the extent to which the preferred option package respects the principles of subsidiarity and proportionality. The preferred option package does not give sufficient information on the specific recommendations envisaged and the key design parameters left at the discretion of the Member States.

(C) What to improve

(1) The report should discuss upfront the various existing EU legal instruments that target adult learning. It should map the gaps this initiative aims to fill. It should clarify to what extent it also addresses identified supply-side problems, such as the perceived lack of quality of training or insufficient tailoring of training to individual needs.

(2) The report should clearly establish the status of the 60% target of the Porto Declaration. It should briefly recall the rationale and supporting evidence behind the target and explain how and why this target is used in the analysis (for example, as a benchmark across EU, Member States, sectors, etc).

(3) The report should better explain how the baseline takes into account the existing EU and national policies. It should justify why the baseline scenario assumes that adult learning participation until 2030 stays on its trend growth observed between 2007 and 2016. It should better explain the rationale behind grouping the policy measures into two policy packages and clarify whether alternative packages have been explored.

(4) The assessment of impacts includes a far-reaching macroeconomic analysis. However, the report should acknowledge the high level of uncertainty about the response to voluntary measures from Member States. It should identify any significant risks that may lead to the expected impacts not materialising, such as the availability of adequate funding for individual learning accounts. The report should better justify its finding that all options have equal benefit-to-cost ratios and how this can be reconciled with possible different returns of training by target group or diminishing returns on training.

(5) Given that some of the proposed measures already exist in some Member States and the significant variations in participation rates, costs of training and funding structures, the report should explore impacts by Member State or groups of Member States, and explain which would be impacted the most.

(6) The report should clarify how much flexibility would be given to Member States in deciding on the appropriate measures and whether it is necessary to specify the recommended measures on the basis of a preferred set of measures. It should indicate which measures will be recommended in the envisaged Council recommendation and which key design parameters will be left at the discretion of the Member States.

(7) The report should define what success would look like and what is expected to be achieved by the time of the evaluation of this initiative.

The Board notes the estimated costs and benefits of the preferred option(s) in this initiative, as summarised in the attached quantification tables.

Some more technical comments have been sent directly to the author DG.

(D) Conclusion

The DG must revise the report in accordance with the Board's findings before launching the interservice consultation.

If there are any changes in the choice or design of the preferred option in the final version of the report, the DG may need to further adjust the attached quantification tables to reflect this.

Full title	Individual learning accounts to empower adults to develop skills throughout their working life.
Reference number	PLAN/2020/7916
Submitted to RSB on	01 September 2021
Date of RSB meeting	29 September 2021

ANNEX: Quantification tables extracted from the draft impact assessment report

The following tables contain information on the costs and benefits of the initiative on which the Board has given its opinion, as presented above.

If the draft report has been revised in line with the Board's recommendations, the content of these tables may be different from those in the final version of the impact assessment report, as published by the Commission.

Table A3.1: Overview of benefits - preferred option

I. Overview of Benefits (total for all provisions) – Preferred Option		
Description	***Amount***	***Comments***
Direct benefits		
Higher adult learning participation.	Estimated increase of EU-27 participation rate by 14.2-15.3 percentage points (ppts) by 2030, corresponding to an additional 34.036.6 million adult learners per year compared to the baseline scenario and a participation rate of 62.8-63.9%.	For individuals and depending on the modulation of support. See Section 6.1.1 and Annex 12A for details and sensitivity checks on these scenario analyses.
Reduced inequalities in access to training among groups of adults.		The reduced inequalities in access to training also translate into reduced inequalities in participation rates, except for groups with significantly lower take up rates for training entitlements. See Section 6.1.1 for a discussion and Annex 12A for details and examples.
Reduced inequalities/ upward convergence in adult learning participation across EU Member States.	Estimated increase of adult learning participation by 11.5-12.8 ppts in the Member State with the highest participation rate under the baseline scenario (SE), compared to 17.8-19.5 ppts in the Member State with the lowest (RO), for a reduction in the participation gap by 6.3-6.7 ppts compared to the baseline scenario.	For EU as a whole and depending on the modulation of support. See Section 6.1.1 and Annex 12A for details.
Higher wages.	1% after 30 hours of training. Estimated EU-27 increase in annual earnings by employed participants by €5.7-9.4 billion per year.	For individuals, see Section 6.1.1. See Annex 12B for the estimation of EU-27 earning increases and sensitivity checks. Increases depend on the

		modulation of support.
Higher employment.	2.5 percentage points after 30 hours of training for those out of employment. Estimated EU-27 increase in employment by 0.2-0.4 million adults in the year after introduction of the policy package.	For individuals, see Section 6.1.1. See Annex 12B for the estimation of EU-27 employment increases and sensitivity checks. Increases depend on the modulation of support. See «indirect benefits« below for long-run general equilibrium estimates of employment effects.
Improved working conditions and social dialogue.		For individuals and enterprises. Not possible to quantify, see Section 6.1.1 for a discussion.
Higher quality and transparency of the training market.		For individuals and enterprises, in particular SMEs. Not possible to quantify, see Section 6.1.1 for a discussion.
Higher productivity of workers and competitiveness of their employer.	2% after 30 hours of training. Estimated EU-27 increase in annual productivity of €11.5-18.6 billion per year.	For enterprises, see Section 6.1.2. See Annex 12B for the estimation of EU-27 productivity increases and sensitivity checks. Increases depend on the modulation of support.
Indirect benefits		
Improved health and well-being.		For individuals. Not possible to quantify, see Section 6.1.1 for a discussion.
Lower cost of training resulting from more transparency and competition.		For the sponsor of training. Not possible to quantify, see Section 6.1.2 for a discussion.

Higher civic participation and social cohesion.		For society as a whole. Not possible to quantify, see Section 6.1.1 for a discussion.
Increased tax revenue and lower spending on unemployment benefits and healthcare.	Increased EU-27 annual tax revenue by €7.1-9.6 billion per year. Lower benefit expenditure by €2.5-4.5 billion per year.	For public authorities, see Section 6.1.2. See Annex 12B for the estimation of increases in EU-27 tax revenue and unemployment benefits savings. Increases depend on the modulation of support. Healthcare expenditure savings not possible to quantify.
More successful technology diffusion, business growth and labour market transitions, supporting the digital and green transitions.		For society as a whole. Not possible to quantify, see Section 6.1.2 for a discussion.
Higher long-run levels of GDP and employment.	Increase of EU-27 GDP by 0.99% by 2030 and 1.4% by 2040. Increase of employment rate by 0.06 ppts by 2030 and 0.18 ppts by 2040 (corresponding to 0.14-0.4 million additional jobs).	For society as a whole and for a low-qualified as a priority target group. See Section 6.1.2 and Annex 12C for details and sensitivity checks.
Macroeconomic stabilisation by facilitating skills investments during downturns.		For society as a whole. Not possible to quantify, see Section 6.1.2 for a discussion.

II. Overview of costs – Preferred option							
		Citizens		Enterprises		Public authorities	
		One-off	Recurrent	One-off	Recurrent	One-off	Recurrent
Action (a) Individual training entitlements in personal accounts and related governance arrangements	Direct costs	-	Depends on funding arrangement.	-	Depends on funding arrangement.	Possible set-up costs.	Scenario analyses estimate annual costs for EU-27 between €17.6-24.5 billion. See Section 6.1.1 and Annex 12B.
	Indirect costs	-	Inability to earn income during periods of training- however, incurred voluntarily by individuals making use of their training entitlements, and only for those not benefitting from paid educational leave provisions.	-	Staff absence during training (with permission of employer). Estimated at around € 4.7 billion if half of those using their training entitlements do so during working hours. See Annex 12B.	-	Administrative costs assumed to be 8% of direct costs in cost-benefit analyses, corresponding to €1.4-2.0 billion. See Annex 12B.
Action (b) Public registry of recognised training, validation and career guidance opportunities	Direct costs	-	-	For training providers: Costs of certification of offers for inclusion in the registry.	Costs of compliance with criteria for quality and labour market relevance of offers required for inclusion in the registry.	Possible set-up costs. May be limited in 12 MS where similar registries already exist.	Maintenance costs are included in the estimate of administrative costs for training entitlements (a).
	Indirect costs	-	-	-	-	-	Costs from increasing use of public guidance and validation opportunities.
Action (c) Making career guidance available to all	Direct costs	-	-	-	-	Possible set-up costs. May be limited as public career guidance already exist in 25 MS to some extent.	Costs from increasing use of career guidance services.
	Indirect costs	-	-	-	-	-	-
Action (d) Paid	Direct costs	-	-	-	Staff absence during training. If revisiting of national paid educational leave arrangements leads	-	Costs of public support for enterprises granting paid educational leave *(in*

educational leave					to an upward convergence of annual take-up rates of paid educational leave arrangements to 5% (corresponding to the highest currently observed take-up rates), annual estimated costs are €3.5-5.9 billion for a 30-50 hour leave.See Annex 12B. Costs for enterprises are lower to the extent pulic cofunding is available.		*particular SMEs),* depending on the funding arrangement.
	Indirect costs	-	-	-	-	-	-

Electronically signed on 01/10/2021 11:25 (UTC+02) in accordance with article 11 of Commission Decision C(2020) 4482