



Council of the
European Union

Brussels, 15 December 2021
(OR. en)

Interinstitutional File:
2021/0405(NLE)

15076/21
ADD 4

EMPL 560
SOC 746
EDUC 421
ECOFIN 1249

COVER NOTE

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| 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 |

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| No. Cion doc.: | SWD(2021) 370 final |
| Subject: | COMMISSION STAFF WORKING DOCUMENT EXECUTIVE SUMMARY OF THE IMPACT ASSESSMENT REPORT Accompanying the document Proposal for a Council Recommendation on individual learning accounts |

Delegations will find attached document SWD(2021) 370 final.

Encl.: SWD(2021) 370 final



EUROPEAN
COMMISSION

Brussels, 10.12.2021
SWD(2021) 370 final

COMMISSION STAFF WORKING DOCUMENT
EXECUTIVE SUMMARY OF THE IMPACT ASSESSMENT REPORT

Accompanying the document

Proposal for a Council Recommendation

on individual learning accounts

{COM(2021) 773 final} - {SEC(2021) 417 final} - {SWD(2021) 368 final} -
{SWD(2021) 369 final}

A. Need for EU action

Why? What is the problem being addressed?

Skills and training are crucial to strengthening the EU's sustainable competitiveness, supporting a job-rich recovery from the COVID-19 pandemic and ensuring a socially fair digital and green transition. The European Pillar of Social Rights action plan, which has been welcomed by the European Council, recognises this by setting the headline target of at least 60% of all adults participating in training every year by 2030.

However, the adult learning participation rate stood at only 37.4% in 2016¹ and will not reach the 2030 target if recent trends continue. Moreover, adults' participation in learning is unequal across Member States and groups of adults, increasing vulnerabilities in a context of accelerating labour market transformations for those who participate less. Two main problems lead to low and unequal participation of adults in learning:

- individuals receive insufficient financial support for training. This is mainly due to low levels of investment, gaps in coverage of certain groups of adults and types of training, barriers to devoting time to training and fragmentation of support, and
- individuals' incentives and motivation to take up training are insufficient. This is related to people's limited awareness of their skills needs, limited transparency of training offers, uncertainty about a training programme's quality and recognition, and insufficient tailoring of available offers to individual needs.

What is this initiative expected to achieve?

The general objective of the initiative is to support Member States' reforms to empower adults to participate in training, in order to increase participation rates and reduce skills gaps. The initiative thereby contributes to the EU's objective of promoting a highly competitive social market economy, aiming at full employment and social progress. Specifically, it aims to:

- close gaps in existing support systems so that all adults have access to support for training, including for professional transitions and irrespective of their labour force or professional status;
- increase individuals' incentives and motivation to seek training. It is embedded in the wider range of actions under the European Skills Agenda.

What is the added value of action at EU level?

EU action is warranted by the EU policy objective of having a skilled labour force for the competitiveness of enterprises and innovation for sustainable growth and the resilience of our economy in a context of accelerating green and digital transitions. An EU initiative supports, coordinates and accelerates national efforts by sharing good practices and promoting innovative approaches to common challenges. It helps in setting expectations that all stakeholders will contribute to, and benefit from, the shared asset of a skilled EU labour force.

¹ Source: Adult Education Survey 2016 (most recent), excluding guided on the job training in line with the EU benchmarking framework for adult learning.

It can enhance the quality and transparency of training markets across the EU, benefitting individuals and companies on the single market and the freedom of movement.

B. Policy options

What legislative and non-legislative policy options have been considered? Is there a preferred choice? Why?

The assessment considered policy options that differ in terms of the delivery mode for training entitlements (training vouchers or personal accounts), the size of the target group and individuals' freedom of choice to select training opportunities.

The preferred option is to provide training entitlements to all working-age adults in the form of personal accounts, while modulating amounts according to support needs and allowing individuals to choose freely from training opportunities characterised by a level of quality, labour market relevance and recognition that is assured by their inclusion in a public registry. This option is most effective in achieving the objectives of the initiative, as it:

- comprehensively reduces support gaps;
- ensures the transferability of training entitlements; and
- increases the tailoring of training to individual needs.

In the light of the objectives of the initiative, the legal basis and principle of subsidiarity, the preferred legislative instrument is a proposal for a Council Recommendation. This instrument makes it possible to recommend a combination of individual training entitlements, career guidance and enabling framework conditions (a public registry of recognised training, validation and career guidance opportunities, paid training leave and effective governance for continuous improvements) while leaving room for Member States to implement the measures in line with national circumstances.

Who supports which option?

In the public consultation, a majority of respondents from all main stakeholder groups supported giving training entitlements to all working-age adults and allowing individuals to choose freely among eligible training opportunities. In the targeted consultations, social partners sought reassurance that the implementation of either policy option will not come at the expense of support for training provision by employers. Representatives from national public authorities and social partners pointed to the need to accommodate different national traditions as regards the organisation of training.

C. Impacts of the preferred option

What are the benefits of the preferred option?

Scenario analyses suggest that the implementation of the preferred option could increase training participation in 2030 to levels above the 60% EU target, and reduce participation gaps across Member States. The main expected impacts are higher wages for individuals, higher productivity for enterprises and higher GDP and social cohesion at societal level.

What are the costs of the preferred option?

Scenario analyses estimate direct annual cost of training entitlements of around EUR 17.6-24.5 billion. Additional costs result from a greater uptake of paid training leave and set-up and administrative costs, but are expected to be limited by the significant relevant infrastructure that already exists in many Member States.

How will enterprises and SMEs be affected?

Companies are expected to benefit from a more skilled labour force and reduced skills gaps, with particular benefits for SMEs whose employees currently participate less in training.

Will there be significant impacts on national budgets and administrations?

The funding arrangement is left to the Member States in view of the different national traditions. Cost-benefit calculations suggest that if well implemented, the above-mentioned benefits of individual learning accounts significantly outweigh their costs, so that suitable funding and cost-sharing arrangements can promote sustainable public finances.

Will there be other significant impacts?

Significant positive fundamental rights impacts are expected in the context of Article 14(1) of the Charter of Fundamental Rights of the EU (*“right to education and to have access to vocational and continuing training”*).

D. Follow-up

When will the policy be reviewed?

The Commission will monitor and evaluate progress in the implementation of the Recommendation, in cooperation with the Member States and after consulting the stakeholders concerned, and report to the Council within 5 years from the date of its adoption.