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REGULATORY SCRUTINY BOARD OPINION

Quality framework for traineeships

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Brussels,
RSB

Opinion

Title: Impact assessment / Quality framework for traineeships

Overall 2nd opinion: POSITIVE WITH RESERVATIONS

(A) Policy context

In 2014, the Council adopted a recommendation on a Quality Framework for Traineeships, to help young people transition from education, unemployment, or inactivity into the labour market through quality traineeships that enhance their skills and allow them to gain work experience.

An evaluation of the Quality Framework for Traineeships was concluded in 2023. It identified areas for improvement and reinforcement. The report builds upon the evaluation to address the shortcomings and update the current framework.

(B) Summary of findings

The Board notes the improvements to the report.

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

- (1) The report does not consistently take account of the limitations of the available evidence in the analysis and conclusions reached.**
- (2) The importance of the level playing field issues is not sufficiently clear.**

(C) What to improve

- (1) While the revised report better acknowledges the limitations of the evidence base regarding the scale of the problems and the expected impacts of measures, it does not systematically reflect such limitations throughout the analysis and in the findings. It should qualify its conclusions according to the validity of the underlying evidence, in particular where alternative views might be equally plausible. When relying on stakeholder views and surveys, the report should address the risk of biased responses. As the report argues that the problems seem to be more prevalent in certain sectors or certain Member States and less in others where there seem fewer quality issues, this should be better reflected in the analysis.
- (2) The report should better and more consistently assess the relevance and significance of level playing field and unfair competition issues argued to result from the problematic use of traineeships. It should be more consistent in reconciling its assessment on the importance of unfair competition, with the small overall percentage of trainees in businesses and the resulting small impact on competitiveness. It should explain the potentially conflicting argumentation on the substantial role of competition issues, and how these will affect businesses. It should, in addition, substantiate with evidence their significance in view of the diversity of national labour market regulatory approaches, and the differences of labour costs between Member States. The report should better assess the effect of additional binding measures envisaged for paid traineeships on the level playing field between “worker trainees” and “unpaid trainees”. It should further assess potential unintended consequences, such as the risk of having fewer traineeships.
- (3) The report should explain if other combinations of measures than the preferred combination have been assessed and whether the latter is overall the best performing one. The report should better explain what differentiates the two legislative options B1.2 and B1.3 and their impacts. The tables with the detailed comparison of options in Annex 13 should be brought forward in the main report.

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

(D) Conclusion

The DG may proceed with the initiative.

The lead Service should 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 | Directive of the European Parliament and of the Council on quality traineeships |
| Reference number | PLAN/2023/1510 |
| Submitted to RSB on | 01 February 2024 |
| Date of RSB meeting | Written procedure |

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.

| I. Overview of Benefits (total for all provisions) – Preferred Option | | |
|---|---|--|
| Description | Amount | Comments |
| Direct benefits | | |
| Increase in the number of trainees (workers or not) who will enjoy the right they are entitled to under EU or national law | Non-legislative: Based on hypothetical assumptions regarding the degree of implementation by the MS at national level (33%-100%) up to 1.02 - 3.1 million trainees could benefit. | |
| Decrease in the number of work relationships disguised as traineeships and non-compliant traineeships | | Not possible to quantify the number of work relationships disguised as traineeships and non-compliant traineeships due to the absence of data. A rough estimate of the number of trainees being at risk of doing specific types of work relationships disguised as traineeships can be obtained by combining replies from the Eurobarometer with EU-LFS data on the number of trainees in the EU in 2019. For example 370,000 paid trainees could be affected who are doing a long-duration traineeship. Out of these, it can be estimated that around 100,000 (rough proxy) did a long-duration traineeships with a poor learning content. |
| Decrease in the number of trainees doing traineeships of long duration, repeated and/or consecutive traineeships with the same employer | Non-legislative: Based on hypothetical assumptions regarding the degree of implementation by the MS at national level (33%-100%) up to 117,000 - 355,400 doing a traineeship longer than 6 months plus up to 68,000-207,800 doing repeated and/or consecutive traineeships with the same employer. | These estimates are based on the share of trainees that in the Eurobarometer reported having traineeships longer than six months as well as consecutive traineeships with the same employer combined with EU-LFS data on the number of trainees in the EU in 2019 ¹ . |
| Decrease in the number of trainees doing repeated traineeships different employers | | A rough estimate of the number of trainees who have done in the past repeated traineeships with different employers can be obtained on the basis of the share of trainees who reported having conducted multiple traineeships with different employers (based on the Eurobarometer) combined with EU-LFS data on the number of trainees in the EU in 2019). This gives a proxy measure of the number of traineeships vacancies asking prior work experience to candidates. |

¹ Without MPT

| | | |
|--|--|---|
| | | This rough estimation shows that, in 2019, around 1.1 million trainees (out of which 500,000 paid trainees) in the EU had done multiple traineeships with different employers at some point in their life. It should be noted that this is likely to be an overestimate, as 1) it is unknown if for all of this prior work experience was required and 2) respondents were asked to consider all the traineeships they ever did and not only those related to the current year. |
| Improvement in the labour market position of trainees in terms of labour market empowerment | | Not possible to quantify due to the qualitative nature of the benefits |
| Protection of paid trainees from unjustifiable differential treatment | Legislative: Based on hypothetical assumptions regarding the number of paid trainees not being fairly/proportionately remunerated, up to 353,000 to 870,000 paid trainees (rough proxy, depending on scenario) could benefit. | Rough estimates. The lower bound correspond to the 22% of respondents who stated that their compensation was not at all sufficient to cover basic living expenditures (trainees' survey, evaluation) and the upper bound to the 54% who stated that their financial allowance/compensation was below the minimum wage. |
| Access to remuneration for unpaid trainees | Non-legislative: Based on hypothetical assumptions regarding the degree of implementation by the MS at national level (33%-100%) up to 500,000-1.5 million unpaid trainees could benefit. | Rough estimates based on the estimation of the prevalence of unpaid trainees under the supporting study |
| Improved access to social protection for trainees | Non-legislative: Based on hypothetical assumptions regarding the degree of implementation by the MS at national level (33%-100%) up to 352,000 - 1,07 million trainees could benefit. | Estimates for access to social protection are based on the share of trainees that in the Eurobarometer reported not having any type of social protection coverage combined with EU-LFS data on the number of trainees in the EU in 2019. |
| Increased level playing field/ Fairer market competition through the alignment of the labour costs to the level of compliant traineeships. | | Not possible to quantify due to the absence of data on the number of firms using traineeships to disguise regular work relationships. |
| Higher productivity and competitiveness for employers as a result of 1) more skilled workforce and 2) better working environment | | Not possible to quantify. |
| Improved learning and training for trainees. Better and more relevant skills to facilitate their integration and/or transitions in the labour market | Non-legislative: Based on hypothetical assumptions regarding the degree of implementation by the MS at national level (33%-100%) up to 212,000-637,000 trainees could have access to a mentor. | Not possible to quantify due to the qualitative nature of the benefits |
| Improved traineeships opportunities for individuals with disabilities and people from vulnerable groups | | Not possible to quantify due to the qualitative nature of the benefits. |
| Improved labour market matching and higher retention rate. Decrease in search, matching and recruitment costs for employers/traineeship providers | | Not possible to quantify. |

| | | |
|---|---|--|
| Improved effectiveness of controls and inspections to detect and combat work relationships disguised as traineeships | | Not possible to quantify. |
| The increased transparency on working conditions, including in vacancies notices. Legal certainty for trainees and regulatory clarity for employers/traineeship providers. | Non-legislative: Based on hypothetical assumptions regarding the degree of implementation by the MS at national level (33%-100%) up to 203,0000 – 609,000 trainees could benefit from a getting a written traineeship agreement. | Not possible to quantify. |
| Indirect benefits | | |
| Increased public revenues generated by fines, higher taxes and social security contributions | | Not possible to quantify due to lack of data on work relationships disguised as traineeships and non-compliant traineeships, remuneration levels and social security contributions for trainees. |
| Reduced enforcement costs due to a decline in the problematic use of traineeships in the long run | | Not possible to quantify. Estimates on the decline of work relationships disguised as traineeships and non-compliant traineeships could not be produced due to the lack of data. |
| Reduced skills mismatches | | Not possible to quantify. |
| Improvements in business reputation | | Not possible to quantify due to the qualitative nature of the benefit. |
| Ensuring of fundamental rights: the right to workers' equality before the law; to fair working conditions, access to adequate social protection and healthcare, to equal opportunities and treatment of under-represented groups and non-discrimination, promote the freedom of movement within the EU and facilitate the right to family life. | | Not possible to quantify. |

| II. Overview of costs – Preferred option | | | | | | | |
|--|--------------------------|--------------------|-----------|---|-----------|-----------------|-----------|
| | | Citizens/Consumers | | Businesses | | Administrations | |
| | | One-off | Recurrent | One-off | Recurrent | One-off | Recurrent |
| All measures | Direct enforcement costs | | | Small costs for transversal familiarisation with all new provisions (between EUR 53 for SMEs and EUR 39 for larger companies) | | | |

| II. Overview of costs – Preferred option | | | | | | | |
|---|--------------------------|--------------------|-----------|--|---|---|--|
| | | Citizens/Consumers | | Businesses | | Administrations | |
| | | One-off | Recurrent | One-off | Recurrent | One-off | Recurrent |
| | Direct enforcement costs | | | | | Integration of provisions into the national regulatory scheme | |
| Effective controls and inspections conducted by competent authorities to detect and take enforcement action and overall assessment based on a list of elements defined at EU level pointing at the risk of work relationships disguised as traineeships . | Direct adjustment costs | None | None | None | Only for businesses where work relationships disguised as traineeships or non-compliant traineeships are identified: a) increased labour costs due to offer of regular employment or genuine compliant traineeships b) costs for administrative or judicial procedures c) Costs related to penalties Also, small (negligible) costs to undergo inspections. | None | None |
| | Direct enforcement costs | None | None | Some small costs could arise from the inclusion of traineeships in existing controls and inspections | None | None | 1) Cost from including traineeships in existing controls and inspections. 2) Strengthen the capacity of labour inspectorate (training, material and human resources) Based on hypothetical assumptions regarding the implementation by the MS at national level the cost |

| II. Overview of costs – Preferred option | | | | | | | |
|--|-----------------------------|--------------------|-----------|------------|---|-----------------|--|
| | | Citizens/Consumers | | Businesses | | Administrations | |
| | | One-off | Recurrent | One-off | Recurrent | One-off | Recurrent |
| | | | | | | | could range: EUR 27,000 (only training) to around EUR 1.1 million (if optimal number of inspectors hired) |
| | Direct administrative costs | None | None | None | Provide competent authorities (upon request) data and information regarding trainees and their contracts. | None | |
| Recommendations for effective monitoring and enforcement to ensure that the rights and working conditions of trainees under applicable EU and national law are respected | Direct enforcement costs | None | None | None | None | None | 1) Cost from including traineeships in existing controls and inspections. 2) Strengthen the capacity of labour inspectorate (training, material and human resources) Based on hypothetical assumptions regarding way and degree of implementation by the MS at national level (33%-100%) the cost could range from: EUR 9,000 – 27,000 (only training) to around EUR 363,000 - 1.1 million (if optimal number of inspectors hired) |

| II. Overview of costs – Preferred option | | | | | | | |
|---|---------------------------|--------------------|-----------|--|--|--|--|
| | | Citizens/Consumers | | Businesses | | Administrations | |
| | | One-off | Recurrent | One-off | Recurrent | One-off | Recurrent |
| Obligation to employers to provide, in the vacancy notices, information on the expected tasks, learning content, working conditions, remuneration and social protection | Direct adjustment costs | None | None | Possible costs to adjust vacancy notices. EUR 46 million | None | None | None |
| Ensure workers' representatives and other actors to be able to engage in procedures to enforce the rights of trainees and channels to report of malpractice and poor traineeship conditions. Recommendation to ensure workers' representatives and other actors to be able to engage in procedures to enforce the rights of trainees and channels to report of malpractice and poor traineeship conditions | Direct enforcement costs | None | None | None | | Possible costs resulting for the measure on ensuring the channels. (awareness campaigns to inform trainees about the existence of such mechanisms) | Possible increase costs related to inspections |
| Member States to define excessive duration of traineeships at national level to assist inspections. | Direct adjustment costs | None | None | Possible small costs to adjust existing contracts | None | None | None |
| Recommendations for maximum traineeship duration (6 months) to include consecutive/repeated traineeships (strengthened Principle 10) and to prevent employers from requesting previous work experience in vacancy notices | Indirect adjustment costs | None | None | None | Possible increase in costs due to more frequent recruitment and onboarding processes: Hypothetical assumptions regarding the degree of implementation by the MS at national level (33%-100%) lead to an estimate of up to EUR 22-68 million. | None | None |

| II. Overview of costs – Preferred option | | | | | | | |
|--|---------------------------|--------------------|-----------|---|---|-----------------|-----------|
| | | Citizens/Consumers | | Businesses | | Administrations | |
| | | One-off | Recurrent | One-off | Recurrent | One-off | Recurrent |
| | Indirect adjustment costs | None | None | None | For companies requiring in the previous work experience: higher training costs because of inexperienced trainees | None | None |
| Ensure trainees are not treated in a less favourable manner as regards working conditions, including pay, than comparable entry-level workers of the same category in the same establishment, unless different treatment is justified on objective grounds | Direct adjustment costs | None | None | Possible small costs to adjust existing contracts | Only for non-compliant business: increase in labour costs. EUR 41 million for paid trainees (minimum wage benchmark) and EUR 81 million (60% of a remuneration of a comparable entry level worker benchmark) under the assumption that 22% of paid trainees are not fairly/proportionately remunerated | None | None |
| Recommendations to ensure that all unpaid trainees receive fair/proportionate remuneration /compensation and have access to social protection | Direct adjustment costs | None | None | None | Possible increase in labour costs. Based on hypothetical assumptions regarding the degree of implementation by the MS at national level (33%-100%) the cost for unpaid trainees could range from: Remuneration: 731,2 million - 2.19 billion (MW benchmark); EUR 704.2 million - 2.11 billion (60% benchmark) | None | None |

| II. Overview of costs – Preferred option | | | | | | | |
|--|--------------------------|--------------------|-----------|--|---|--|-----------|
| | | Citizens/Consumers | | Businesses | | Administrations | |
| | | One-off | Recurrent | One-off | Recurrent | One-off | Recurrent |
| | | | | | Social protection for all trainees: EUR 2.8 – 8.4 billion (depending on implementation) | | |
| Recommendations for written traineeship agreement to include additional elements to increase transparency and to improve the learning component (strengthened Principle 2) and for access to mentors | Direct adjustment costs | None | None | None | Small additional costs to the already necessary cost arising from the TPWC ² under the baseline. Based on hypothetical assumptions regarding degree of implementation by the MS at national level (33%-100%) the cost could be in the range of EUR 27 - 80 million (depending on implementation). Cost to combine and formalise all pieces of information in a written agreement (negligible). | None | None |
| | Direct enforcement costs | None | None | None | Possible costs related to litigations | None | None |
| Recommendations to ensure traineeships accessibility to people with disabilities and equal access to vulnerable groups | Direct adjustment costs | None | None | Possible costs to tailor traineeships and to adapt workplace to trainees | Possible costs to conduct outreach and awareness-raising activities | Possible costs for issuing guidance on outreach and awareness-raising activities as well as tailoring traineeships and on adapting | None |

² The cost under TPWC cost was estimated to EUR 44 for micro enterprises, EUR 57 for small and medium companies and 25 for large companies, source, Supporting study

| II. Overview of costs – Preferred option | | | | | | | |
|--|---------------------------|--|-----------|------------|--|---|--|
| | | Citizens/Consumers | | Businesses | | Administrations | |
| | | One-off | Recurrent | One-off | Recurrent | One-off | Recurrent |
| | | | | | | workplace to trainees | |
| Measures to support cross border traineeships | Direct adjustment costs | None | None | | None | Possible costs for developing and producing practical guidance and information on national traineeship frameworks | Possible costs to be incurred for updating the practical guidance and information on national traineeship frameworks |
| | Indirect adjustment costs | Possible expenses to relocate to other countries | None | None | Small costs to post vacancies and recruit international trainees | None | None |
| Measures to promote remote/hybrid traineeships | Direct adjustment costs | None | None | | Small costs to adapt working environment (e.g. access to digital work tools) and arrangements (including mentorship) | Possible costs for issuing guidance on conditions for accessibility and quality remote/hybrid traineeships | None |

| III. Application of the “One-in One-Out” approach | | | |
|---|--------------------|--------------------|-------|
| | One-off | Recurrent | Total |
| Businesses | | | |
| New Administrative Burdens | None | None | None |
| Removed Administrative Burdens | None | None | None |
| Net Administrative Burdens | None | None | None |
| Adjustment Costs | See Table II above | See Table II above | |
| Citizens | | | |
| New Administrative Burdens | None | None | None |
| Removed Administrative Burdens | None | None | None |
| Net Administrative Burdens | None | None | None |
| Adjustment Costs | None | None | None |



Brussels,
RSB

Opinion

Title: Impact assessment / Quality framework for traineeships

Overall opinion: NEGATIVE

(A) Policy context

In 2014, the Council adopted a recommendation on a Quality Framework for Traineeships, to help young people transition from education, unemployment, or inactivity into the labour market through quality traineeships that enhance their skills and allow them to gain work experience.

An evaluation of the Quality Framework for Traineeships was concluded in 2023. It identified areas for improvement and reinforcement. The report builds upon the evaluation to address the shortcomings and update the current framework.

(B) Summary of findings

The Board notes the additional information provided and commitments to make changes to the report.

However, the Board gives a negative opinion because the report contains the following significant shortcomings:

- (1) The scope of the initiative is not sufficiently clear in relation to the existing framework and to the different types of traineeships covered. The report does not fully acknowledge the limitations of the available evidence to sufficiently define the scale and variety of the problems.**
- (2) The different national conditions are not adequately analysed, and it is not sufficiently clear why Member States are unable to adequately address the problems.**
- (3) The baseline does not reflect the available evidence on the dynamic developments observed in the labour market. The report does not assess all relevant options, including an exclusively non-legislative policy option. It does not assess mitigation measures for SMEs.**
- (4) The report does not provide estimates of total costs and benefits of the options. Potential unintended consequences, such as the risk of having fewer traineeships, are not comprehensively assessed.**
- (5) The proportionality of the options is not fully assessed, particularly with respect to the uncertainties on the scale of the problems.**

(C) What to improve

(1) The report should clarify the intended scope of the initiative in terms of types of traineeships covered. It should better explain why the envisaged single regulatory approach would encompass a variety of employment and/or educational relationships with different characteristics and objectives, including regarding paid versus unpaid traineeships. It should define what is considered a “quality” or non-problematic traineeship, and whether the relevant parameters differ by category of traineeship. It should justify the single approach on the proposed duration for all types of traineeships, while being clearer on the scope of justified exemptions and flexibility given to Member States to reflect adequately national conditions. It should explain the difference between the treatment of trainees considered as workers and others. The report should use clearer, more specific language when describing non-quality traineeships, and in particular disguised work.

(2) The report should be more transparent about the limitations and robustness of the supporting evidence. It should elaborate on the scale of the problems and differentiate between the specific problems affecting each type of traineeship covered. It should clarify to what extent level playing field and unfair competition issues play a role and what the available evidence on this regarding traineeships is. It should be clear whether some geographical regions or specific sectors might be significantly more affected by the problems than others, and if so, explain why no more targeted measures were considered. The report should provide a realistic and balanced picture of the problems’ evolution supported by robust evidence.

(3) The report should explain whether some Member States have been able to tackle the problems identified, and if so, how has this been taken into consideration. It should explain why national rules regulating the aspects covered by the initiative are not sufficient or not adequate. The views of all stakeholders should be clearly and consistently recorded throughout the analysis. The report should demonstrate why legislative action at EU level is necessary and justified. It should elaborate on the EU value-added and should explain how differences among Member States and their respective labour markets and governance regimes will be considered.

(4) The report should provide a more developed and dynamic analysis of the baseline that adequately reflects all available evidence on the likely evolution of the labour market and the offer and conditions of traineeships in the EU. It should better incorporate foresight analysis on the broader demographic and labour market trends, such as the increasing scarcity and race to find and retain talent, the observed increased rates of paid and cross-border traineeships, and the economic incentives for employers to invest in quality traineeships in view of expected productivity and competitiveness benefits.

(5) The report should include estimates of costs and benefits of the options. The cost-benefit analysis should provide monetised estimates to the extent possible, presenting total costs and benefits, as well as administrative and adjustment costs. This should include the estimates of the increase of labour costs to businesses resulting from the requirement to provide fair and proportionate remuneration for trainees considered workers and the recommendation to provide fair and proportionate remuneration and access to social protection for all trainees. The report should also provide the estimates of the costs to businesses to undergo inspections. The analysis should better explain the uncertainties and more clearly present the costs and benefits that result from the Directive and the Recommendation by adequately reflecting binding and non-binding nature of the measures.

(6) The report should include a more developed and better substantiated analysis of unintended consequences. It should be clearer how the different options could affect the

availability of traineeships. It should comprehensively assess the risk of a reduction in the number of quality traineeships due to higher costs to employers. It should examine potential impacts as regards the future offer for trainees and the risk of a potential shift to the less regulated traineeships. It should also assess whether treating traineeships differently, based on their worker status, could affect the level playing field. The report should present the impacts on competitiveness of the most affected sectors and actors, in particular SMEs. It should also present in concrete terms the envisaged support for SMEs and assess mitigation measures for SMEs.

(7) The report should assess and compare all relevant options including a fully non-legislative option. It should provide a substantive discussion and comparison of the options in terms of proportionality. It should explain thoroughly how proportionate the options are, given the uncertainty on the scale of the problems, the expected benefits and costs, as well as broader subsidiarity considerations.

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 and resubmit it for a final RSB opinion.

| | |
|---------------------|---|
| Full title | Directive of the European Parliament and of the Council on quality traineeships |
| Reference number | PLAN/2023/1510 |
| Submitted to RSB on | 22 November 2023 |
| Date of RSB meeting | 13 December 2023 |