



INDIVIDUAL LEARNING ACCOUNTS

KEY MESSAGES

- 1** BusinessEurope is not convinced about the added value of an EU initiative focused on individual learning accounts. What is needed is a Council recommendation supporting the Member States and social partners in their efforts to create or develop well-functioning approaches to training in line with changing labour market needs.
- 2** EU action to support Member States and social partners to improve their skills training provision can be helpful. The draft recommendation should be adapted to better emphasise the possibility for member states to further strengthen their existing approaches to training, including the possible role of training funds, or other preferred national solutions.
- 3** Regular discussions between governments and social partners, including with a view to making good use of the resources made available through the recovery and resilience facility, is what can really make the difference to ensure better learning outcomes in line with changing labour market needs and reduce in the short-term the growth bottlenecks that structural skills mismatches represent for our societies and labour markets.

WHAT DOES BUSINESSEUROPE AIM FOR?

- Taking into account existing national practices, a stronger role for employers in the governance of education and training systems, including as concerns the updating of curricula so that they are more responsive to evolving labour market needs.
- Well-designed and inter-operable national cross-industry and sectoral approaches to training that simultaneously support and incentivise employers to offer job relevant training and workers to take up such training opportunities, including better possibilities for labour market transitions across occupations and sectors.



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Individual Learning Accounts

Introduction

1. On 10 December, the European Commission published a draft proposal for a Council Recommendation on individual learning accounts (ILAs). The proposal follows a year of exploratory work by the Commission, including a dedicated social partners hearing and discussions in the context of the advisory Committee on Vocational Training (ACVT). The ACVT also adopted an opinion on the subject of ILAs and strengthening training provision in Europe in August 2021. This paper constitutes BusinessEurope's position on the draft proposal.

General comments

1. An appropriately skilled workforce is a key factor in the competitiveness and productivity of companies as well as their potential to innovate in response to new and evolving demands for products and services. Therefore, companies spend a lot of time and money in training their workers with a 2020 European Commission report on adult learning demonstrating the strong role played by employers in observing that **90% of job-related training in the EU is funded by employers**.
2. BusinessEurope fully recognises the need to support Member States and social partners to undertake **reforms, where needed**, in order to enable workers to participate in training and to up and re-skill and to reduce structural skills mismatches. This is particularly important in the context of the digital and green transitions, as well as demographic change and efforts to reduce labour shortages.
3. The ACVT Opinion of August 2021 on ILAs and strengthening training provision in Europe¹ highlights the important and varying role that national and sectoral social partners play in training provision, taking into account national industrial relations systems and education and training practices. The same Opinion also observes that there **are many ways in which training is provided** across the Member States and that a one-size-fits-all approach is not appropriate.

¹ ACVT opinion (August 2021) <https://ec.europa.eu/social/BlobServlet?docId=24841&langId=en>



4. Consequently, there is a need for **flexibility within different national settings** when it comes to approaches to training provision, which takes into account the needs of companies and workers as well as the role that employers and social partners jointly play in the governance of training systems, both in systems in which they have the lead role as well as in others.
5. The association between employment, mobility and skills can also be recognised as an important facet of modern and flexible labour markets. In this sense mobility can occur across sectors and jobs. Further training may be needed to support workers that choose to **change job/sector**, or who face the need to do so due to the changing economic activity of their employer, the obsolescence of their skills, or those that are in diverse forms of work. In some member states, unemployment insurance provides options for co-financing company training for employees concerning job transitions as well as structural changes within the company. This can be part of the levers of an active labour market policy.
6. For this group of workers, the choice of training activities is best met through the continuous dialogue between a worker and his/her management at company level, and through collective bargaining at sectoral and/or cross-industry levels, including the widespread practice of training funds across Europe to which more visibility, recognition and support should be given in EU skills policy debates and which can also help to facilitate job mobility. In line with this, **BusinessEurope suggests changing the title of the initiative into** *“Council recommendation supporting the Member States and social partners in their efforts to create or develop well-functioning approaches to training in line with changing labour market needs”*. BusinessEurope will continue its efforts at EU level to that end on a tripartite basis together with workers representatives and national governments.
7. **Employment services** – public and private also play an important role in skills training by orienting and counselling people to the skills needed on labour markets and to job vacancies. In addition to financing training for the unemployed, they can also play a role in co-financing company training for employees affected by structural change. In this respect, it is important that such services cooperate with each other and work together with employers in order that the training and other support services that they provide relate to the identified skills needs that companies have and the profile of worker that they are looking for. Ideally, these support services should be provided proactively, aiming to reduce or altogether avoid periods of unemployment due to structural labour market changes.



8. The situation of the individual also impacts upon their access to further training. In this respect, and considering the different needs that individuals have, depending on their labour market status, it is relevant that there are different possibilities to access training - **a one size fits all approach to training provision for the employed and unemployed is not appropriate**. An ILA model, as proposed in the draft Recommendation is for all working-age adults, irrespective of their current labour force or professional status. Whereas such an approach can help to enhance an individual's general employability, this is different to the specific job-relevant training that is provided by employers and which needs to be supported by policy-makers and further expanded to help more companies up and re-skill the growing share of their workforce who are in need for training to maintain their employability as their jobs evolve with the twin digital and green transition.
9. In order to increase training take up, it is also important to raise the image and visibility of VET in other policy areas. BusinessEurope supports the European Commission in its efforts to enhance VET's important role as a contributor to human capital development, which in turn fosters productivity, innovation, excellence as well as democratic citizenship and promotes EU values. It is also important that **universities** play a stronger role in the up and re-skilling process, taking into account national practices, including through the better alignment of curricula with labour market needs as well as flexible approaches to further training, such as micro-credentials.
10. In the coming years, the main priority will be to **make good use of the extraordinary resources that have been pooled together through the recovery and resilience facility**. In this respect, we suggest that the Commission, Member States and national social partners regularly discuss the progress made on skills investments, including as concerns financial incentives and performance-based funding schemes, and reforms at the advisory committee on vocational training, based on the information gathered by the Commission and Council through its European semester work, notably the yearly country reports and the Joint Employment Report.



Specific comments

Enhancing training provision and access

11. BusinessEurope broadly shares the Commission's analysis in relation to the **barriers to participation in training**, notably insufficient access or excessively bureaucratic and inflexible approaches to financial support, including devoting time for training, and a lack of motivation to take up training opportunities.
12. Ultimately, it is for Member States, in discussion with their social partners, to decide if they find relevance in setting up an ILA approach. The view of BusinessEurope's members is that **ILAs will have little added value relative to existing approaches** in terms of enhancing motivation to take part in training.
13. Furthermore, even if, as the draft recommendation proposes, employers' organisations are involved in determining the criteria for trainings to be included in the national registries from which workers can choose their courses, there is a real **concern among employers that the content of the training will not be as job-relevant** as the training that companies provide themselves or which is determined jointly between the employer and worker.
14. Rather than seeking to develop what would be for the vast majority of Member States and social partners an entirely new approach, BusinessEurope considers that it is **better to channel efforts into strengthening and further developing existing well-functioning practices and approaches**. This could include, for example, setting up or enhancing the role of training funds, in cases where Member States and social partners see a need.
15. Noting that the draft Recommendation specifies that ILAs should not replace existing approaches to government-funded and/or social partner-driven training provision, BusinessEurope considers that the Council Recommendation should include a **new article** that alternatively gives Member States and social partners **the possibility to further strengthen their existing approaches to training**, including the possible roles of training funds, or other preferred national solutions in discussion with the social partners. This is coherent with the ongoing efforts to identify national priorities for education and training as part of the national implementation plans that Member States, in discussion with social partners, are preparing in the context of the Council Recommendation on VET and the Osnabruck Declaration.



Financing training

16. One of the main motivating factors for employers to finance training, either fully or on a cost-sharing basis, is that such training **responds to their skills needs**. Identifying, in consultation with workers, as appropriate, job-relevant training is beneficial for workers and addresses identified skills gaps that exist in the company. **The labour market relevance of training is an overarching priority and principle and needs to be at the core of EU and national training strategies and approaches.**
17. The **needs and choices of workers** of course also need to be taken into account. Workers need to be encouraged to take more responsibility for their training and to be motivated to take up training opportunities, something which is a major challenge to up and re-skilling efforts. In this respect, the Council recommendation proposal also needs to instil the need for Member States to share practices with a view to improving their national approaches to guidance mechanisms aiming to better inform people's education and training choices at the start and during their career.
18. A balance needs to be found that would advance a **cost-sharing approach to training provision between government, employers and workers**, while ensuring that the needs and interests of companies and workers are addressed through further training and taking into account labour market needs and different national practices and industrial relations systems and the role of social partners therein.
19. Another related aspect that should be further explored within the national context when it comes to skills investments is that of financial incentives. This not only concerns encouraging more investment, but also in terms of steering decision making around the investments that are made. Such performance-based funding schemes for funding provided to training providers by governments can better align the incentives of the training providers with the needs and interests of employers and learners. Under such an approach the OECD outlines (see box 1 on performance-based funding schemes) that an element of the funding formula is based on a set of pre-defined outcomes, such as the number of graduates/learners in certain fields or the labour market outcomes of graduates/learners. Such an approach could play a useful role in helping to address skills mismatches and labour shortages by targeting financial support to training in specific skills and subject areas where there is a particular demand.



Box 1 : Promoting the role of performance-based funding schemes as part of the EU debates on the proposed recommendation on individual learning accounts: Among its analysis of financial incentives for funding training, the OECD identifies a *performance-based approach*. This is a funding mechanism whereby part of the funding (coming from governments) for education and training institutions is allocated based on the *ex-post* assessment of pre-defined performance measures/criteria. This approach is most commonly used in higher education and the criteria can include labour market outcomes; graduate employment rates; the proportion of teachers with industry experience; and the proportion of students who took part in traineeships or fieldwork. As an example, Estonia has a system whereby up to 20% of the funding to higher education institutions is performance-based. The intention is to also use this model for VET institutions on the basis of providing incentives for the timely completion of courses, as well as indicators for graduate employment rates and participation in further study.

A related, but softer approach is to agree with education providers on a number of objectives to be attained through the use of *performance contracts*. These are not always tied to funding and, where they are, tend to reward institutions on the basis of *expected* rather than on *actual* performance. In Denmark, for example, the performance contracts signed between the government and institutions include indicators that measure graduate labour market outcomes 4 to 19 months after graduation. The contracts are not legally binding, but universities must report on their contracts in their annual reports and in the annual audit by the ministry.

The use of performance-based funding remains fairly limited in most countries (and associated with higher education) covered by the OECD and is something BusinessEurope will promote in the context of the tripartite advisory committee as a means to better target a growing part of the funding of continuous vocational training to be defined at the national level in agreement between national governments and national social partners in line with a learning outcomes-oriented approach to such training provision.

20. BusinessEurope notes the proposal that under an ILA approach the emphasis is on Member States to provide the annual financing of ILAs with employers and public and private employment services also to be invited to provide further top-ups. As a largely financial vehicle, **if Member States decide to introduce an ILA model, the financing of this should be sought through public resources**. BusinessEurope calls on the Council



to make sure that priorities for public and private financing of training remain open in the Council recommendation, and for definition and agreement on a case by case nationally, including an element of co-investment by workers. For example, this could take the form of a certain amount of their monthly salary being added to the training fund.

Paid training leave

21. The recommendation outlines that Member States should enter into dialogue with social partners on arrangements to allow employees to participate in training during working hours using their ILA. It is also proposed that Member States should introduce paid training leave provisions or review the adequacy of existing provisions, in line with the ILO Paid Educational Leave Convention.
22. Among the findings of the European social partners recent project on skills, innovation and training², the **main barriers** that were found in relation to participation in training where the **cost of training and identifying the time** to take part in training and determining when training takes place, be it during working time or in combination with training out of office hours.
23. **Allocating time for training during working time is a particular issue for SMEs.** In this regard, a good practice example is Denmark's approach to training funds that are established through collective agreements. If participation in CVET is requested by the employer, employees are entitled to their usual salary from the employer, while compensation is paid to the employer.
24. BusinessEurope recognises the role that paid educational leave can play in facilitating access to education or training and that this can be established in law or in collective agreements that are negotiated by social partners. Such agreements play a particularly important role in identifying the ways of accessing paid educational leave for workers in SMEs who typically experience a greater loss of productive capacity while workers are absent due to training. However, **where paid training leave is not agreed between social partners, and follows a government's initiative, the financing of this should be provided exclusively by public resources.**
25. From BusinessEurope's perspective an important element in this regard is that the training that workers undertake while on paid educational leave is

² European social partners final report (November 2021) http://erc-online.eu/wp-content/uploads/2021/12/Final-report_skills-innovation-project_A4_Nov2021_V2OK.pdf



job relevant. In cases where the training is not job relevant, it cannot be expected to take place during paid working time.