



EUROPEAN  
COMMISSION

Brussels, 4.12.2013  
SWD(2013) 495 final

**COMMISSION STAFF WORKING DOCUMENT**

**IMPACT ASSESSMENT**

*Accompanying the document*

**PROPOSAL FOR A COUNCIL RECOMMENDATION**

**on a Quality Framework for Traineeship**

{COM(2013) 857 final}

{SWD(2013) 496 final}

## Table of Contents

1.	Introduction.....	4
2.	Definitions and regulatory context.....	7
2.1.	Types of traineeships .....	7
2.2.	Current regulatory framework.....	8
3.	Consultations and stakeholders’ views about the main problems affecting traineeships.....	10
4.	Problem Definition.....	13
4.1.	Quality problems.....	13
4.2.	How common are quality problems? .....	14
4.3.	Consequences of quality problems .....	15
4.4.	Problem drivers .....	19
5.	Legal basis and subsidiarity .....	21
6.	Policy Objectives .....	23
7.	Policy coherence and contribution to Europe 2020 objectives .....	23
8.	Policy options.....	24
9.	Analysis of impacts.....	26
9.1.	Option 0 – Baseline.....	26
9.2.	Option 1 – Information website .....	28
9.3.	Option 2 – Voluntary Quality Label .....	29
9.4.	Option 3 – ‘Council Recommendation on a Quality Framework for Traineeships ...	31
9.4.1.	Option 3a – Council Recommendation on a Quality Framework for Traineeships 'basic' .....	31
9.4.2.	Option 3b – Council Recommendation on a Quality Framework for Traineeships with enhanced transparency .....	38
9.5.	Option 4 – Directive on a Quality Framework for Traineeships .....	41
9.6.	Summary and comparison of options.....	43
10.	Monitoring and evaluation .....	44
11.	References.....	46
12.	ANNEXES .....	49
12.1.	Examples of Member States’ Initiatives to Enhance Trainee Protection in the Open Market .....	49
12.2.	Differences between Traineeships and Apprenticeships.....	50
12.3.	Regulatory Framework .....	51

12.4. Main concerns identified by the Traineeship study ..... 52

12.5. Quality of traineeships and labour market outcomes: an econometric analysis of the data of the Eurobarometer survey ..... 53

12.6. Results of the European Youth Forum survey ..... 62

12.7. SMEs Test Results ..... 63

12.8. Case studies - the benefits and costs of providing quality traineeships ..... 71

12.9. Motivations for supplying and applying for traineeships ..... 72

12.10. Economics of traineeships ..... 75

12.11. Geography of quality ..... 83

12.12. A voluntary approach to Quality Labels for Traineeships ..... 84

12.13. Summary tables per each option ..... 85

## Executive Summary Sheet

Impact assessment accompanying the document Proposal for a Council Recommendation on a Quality Framework for Traineeships

### A. Need for action

#### Why? What is the problem being addressed?

Traineeships can effectively enhance young people's employability through providing a stepping stone to the labour market. Nevertheless, despite their benefits, concerns about the effectiveness and quality of traineeships in general, and open-market traineeships in particular, have been increasingly recognized by a wide range of stakeholders including European Institutions. These concerns, and especially low learning content and substandard working conditions have been confirmed by a recent Eurobarometer survey. Low or no pay, as well as the low share of transnational traineeships are further problems indicated both by stakeholders and surveys. While these are not in the direct focus of the initiative, certain options may have an indirect impact on them.

#### What is this initiative expected to achieve?

The initiative aims to

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

#### What is the value added of action at the EU level?

Currently there very diverging regulatory frameworks in Member States regarding traineeships. A common understanding of what a traineeship is and what minimum standards should apply to them will help shape Member States' policies and regulatory approaches. In this way, the EU could concretely support Member States in implementing the Europe 2020 employment guideline nr 8, in particular 'enacting schemes to help young people and in particular those not in employment, education or training find initial employment, job experience, or further education and training opportunities, including apprenticeships, and should intervene rapidly when young people become unemployed.' In the framework of the European Semester process, the Commission should provide guidance to Member States for efficient implementation of their commitments related to youth employment. Quick and effective implementation of CSR recommendations on youth employment requires concrete and specific guidance on quality traineeships.

Furthermore, the QFT would address one key obstacle for cross border mobility, lack of information, in an area of great regulatory fragmentation. The QFT is essential for the extension of EURES to traineeships, as requested by the European Council conclusions of 28/29 June 2012. This is to prevent the risk that support through EURES is provided to substandard traineeships that will not help smooth education to work transitions. The Recommendation would also help to underpin the support provided by ERASMUS+.

The Quality Framework is an important reference point for determining a good quality offer of traineeships under the Council Recommendation on Establishing a Youth Guarantee.

### B. Solutions

#### What legislative and non-legislative policy options have been considered? Is there a preferred choice or not? Why?

There are four policy options to consider:

Option 0) No new Commission initiative (baseline)

Option 1) Information website about traineeship conditions and legal framework in Member States. This non-regulatory approach could increase the availability of general and specific information about traineeships in all Member States.

Option 2) Quality Label. Could be based on agreed quality principles or minimum quality guidelines for traineeships (same as in option 3a). Traineeship providers could take up the label voluntarily.

Option 3) Proposal for a Council Recommendation on a QFT. Two sub-options:

3a) QFT basic: traineeships should be based on a written traineeship agreement that specifies educational objectives, working conditions, rights and obligations and a reasonable duration of the traineeship. Remuneration and/or compensation and social protection would not be compulsory, but the agreement should specify whether they are provided, and if so, what can the trainee expect.

3b) QFT+Transparency: further to QFT basic traineeship providers would have to clarify remuneration and/or compensation and social protection coverage already in the vacancy notice; and in the case of unpaid traineeships they would have to disclose information at the conclusion of the traineeship agreement about the number of trainees and the share of those who were recruited by the same traineeship provider after their traineeship within the 3 previous years.

Option 4) Proposal for a Directive on a QFT+Transparency: same content as option 3b.

The most balanced option, in terms of proportionality and effectiveness seems to be 3b) (Council Recommendation on a QFT+Transparency).

### **Who supports which option?**

The public consultation as well as the social partner consultations show that trade unions and youth organisations tend to support a legally binding proposal (Directive or at least a Council Recommendation). Employers, businesses and some MS prefer non-binding guidelines (label or at most Council Recommendation). Our analysis shows that the acceptance of a Council Recommendation seems to be the highest.

Content wise, the elements included in the QFT are supported by most stakeholders. This was also confirmed by an SME survey conducted in 2013, which showed that the overwhelming majority of SMEs could implement the quality elements proposed by the Commission without difficulty.

## **C. Impacts of the preferred option**

### **What are the benefits of the preferred option (if any, otherwise main ones)?**

A Council Recommendation on a QFT+Transparency can be adopted quickly, has very low compliance costs for quality traineeships and discourages unscrupulous practices through market mechanisms. It is expected to have tangible effects and is expected to stimulate higher level of quality of traineeships through better learning content and working conditions. Acceptability for publication of remuneration conditions in the vacancy notice is high (90% of SMEs responded positively in SME test). Acceptance for the transparency requirement on hiring policies may be lower; nevertheless, its compliance costs are negligible.

### **What are the costs of the preferred option?**

Only marginal costs mainly linked to ensuring a mentor and to the conclusion of a written traineeship agreement, the latter being a one-off cost. These costs could be reduced by elaborating and making available simple and concise model traineeship agreements,

### **How will businesses, SMEs and micro-enterprises be affected?**

There will be only marginal compliance costs related to the working time of the mentor as well as of the HR officer responsible for the conclusion of the traineeship agreement. This is already an existing practice at the majority of traineeship providers. SMEs expressed a 90% acceptance to these measures in a recent SME test.

### **Will there be significant impacts on national budgets and administrations?**

No budgetary impacts. National public authorities will be in charge of the implementation of the QFT.

### **Will there be other significant impacts?**

None.

## **D. Follow up**

### **When will the policy be reviewed?**

A policy review could possibly take place after 2016, when a follow-up Eurobarometer and an ad-hoc module on young people within the Eurostat Labour Force Survey will provide data on implementation.

## 1. INTRODUCTION

Over the last two decades traineeships, also known as internships or 'stages', have become a standard feature in our labour markets and increasingly represent the main entry point into the labour market for young people<sup>1</sup>. There is wide consensus on the fact that a traineeship represents a useful experience, complementing traditional classroom instruction with important practical skills, and can facilitate access to employment. However, there are growing concerns that a significant share of traineeships does not provide a meaningful learning experience, takes place under substandard working conditions, and in effect does not constitute a real traineeship but simply a low-cost replacement for regular jobs.

To act upon these concerns and following calls by the European Parliament<sup>2</sup> and the European Council<sup>3</sup>, the Commission last year launched consultations with the wider public and with Social Partners and announced that it would present a Quality Framework for Traineeships (QFT) by the end of 2012<sup>4</sup>.

The Impact Assessment aims to identify and analyse which policy options can lead to a higher share of quality traineeships, notably by providing standards that can be utilised as best practice and by discouraging the offer of substandard traineeships.

This Impact Assessment builds upon the Analytical Document presented by the Commission in December 2012 in the context of a Social Partner consultation on traineeships<sup>5</sup>. It adds several new elements, such as previously unavailable data on the number and quality of traineeships, and presents new evidence assessing the impact of quality problems on the future employment prospects of the affected trainees. It also puts forward proposals for a Quality Framework for Traineeships that includes the elements identified as most apt to enhance trainees' employability. Finally, the Impact Assessment includes new proposals on transparency that are meant to strengthen the possibility for young people to distinguish quality traineeships from substandard ones before they begin, helping them to make a better choice.

## 2. DEFINITIONS AND REGULATORY CONTEXT

### 2.1 Types of traineeships

Traineeships are generally understood as a limited period of work practice spent at business, public bodies or non-profit institutions either by students or by young people having recently completed their education, in order to gain practical work experience ahead of taking up regular employment<sup>6</sup>. They generally last a few weeks to a few months, and are usually not considered to constitute employment contracts, as their main aim is to provide a training

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<sup>1</sup> Amongst respondents of the 2013 Eurobarometer survey (when published in October 2013 add ref), 74% more young people followed 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, page 1.

<sup>2</sup> EP 2009/2221(INI), 06.07.2010

<sup>3</sup> See the Conclusions of three recent European Councils: December 2012, February 2013 and June 2013.

<sup>4</sup> SWD(2012)407 final, Brussels 5.12.2012

<sup>5</sup> SWD(2012)407 final, Brussels 5.12.2012

<sup>6</sup> European Commission (2012a), Study on a comprehensive overview on traineeship arrangements in Member States (henceforth "the Traineeship study"), available at <http://ec.europa.eu/social/main.jsp?catId=738&langId=en&pubId=6717&visible=1>.

experience, not a paid work opportunity. Traineeships must not be confused with apprenticeships, which are generally much longer, lead to formal academic qualification and are more regulated. Annex 0 gives more detail on the differences between the two.

One may distinguish five major – partly overlapping - types of traineeships:<sup>7</sup>

1. Traineeships forming an optional or compulsory part of academic and/or vocational curricula (i.e. traineeships during education);
2. Traineeships which form part of mandatory professional training (e.g. law, medicine, teaching, architecture, accounting, etc.);
3. Traineeships as part of active labour market policies;
4. Traineeships agreed between trainee and a traineeship provider (business, non-profit or government) without the involvement of a third party, generally conducted after completion of studies and/or as part of a job search, known as ‘post-studies’ or ‘open-market’ traineeships<sup>8</sup>;
5. Transnational traineeships, which may include types 1, 2 and 4, but for the purpose of the Impact Assessment are considered as a separate group.

This impact assessment will focus on types 4 and 5. This choice is due to three considerations. Firstly, the Traineeship study has identified open market traineeships and transnational traineeships as those where the concerns over their quality are strongest. Secondly, in the case of types 1, 2 and 3, national and regional institutions are closer to the problem and are better placed to take corrective action if necessary. Finally, Type 5 traineeships are of particular relevance in the EU context owing to the policy issues raised by the differences in the regulatory framework currently existing among Member States<sup>9</sup>.

## 2.2. Current regulatory framework

The regulatory framework in general and the strictness of the regulation in particular varies widely both amongst the different types of traineeships and across Member States (see Table 1). At one end, France regulates all types of traineeships by law, while in countries such as the Bulgaria or the UK there is no specific legal definition for trainees<sup>10</sup>. In six Member States (CY, IE, LT, LU, LV, UK), no legal definition of traineeships exists<sup>11</sup>. Less than half of the Member States have provisions on the duration, remuneration or social protection coverage.

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<sup>7</sup> The classification is the one suggested in European Commission (2012a), Study on a comprehensive overview on traineeship arrangements in Member States (henceforth “the Traineeship study”), available at <http://ec.europa.eu/social/main.jsp?catId=738&langId=en&pubId=6717&visible=1>.

<sup>8</sup> In addition, while this Impact Assessment treats the term internship as a synonym to traineeship, in some countries, e.g. the U.K. a distinction is drawn between in-studies traineeships and post-studies internships. In the U.S. the term usually utilised is ‘internships’. See also footnote 11.

<sup>9</sup> See section 4.4. for more detail on transnational traineeships.

<sup>10</sup> See Annex II and Traineeship study, pp. 45-50 for details.

<sup>11</sup> In the UK the use of terminology relating to traineeships is somewhat different: A 2013 UK government initiative, not covered in Table 1, uses the term traineeship to refer to a period of training, including a work placement, that prepares young people aged 16 – 24 for an apprenticeship or a sustainable job (Department for Education/Department for Business Skills and Innovation (2013)). This use of the word is closer in meaning to a period of Vocational Education and Training.



Table 1 Key differences in regulatory framework

Issue	Yes	No	Legal situation uncertain
Legal definition of traineeships	AT, BE, BG, CZ, DE, DK, EE, EL, ES, FI, FR, HU, IT, MT, NL, PL, RO, SE, SI, SK	CY, IE, LT, LU, LV, UK	PT
Legal provisions on duration	BE, BG, DE, EE, EL, ES, FI, FR, HU, IT, LU, MT, PT, RO, SI, SK, UK	AT, CY, CZ, DK, LV, NL, SE	IE, LT, PL
Legal provisions on remuneration	EL, ES, FR, HU, IE, LT, MT, PT, RO, SE, SI, SK	AT, BG, CY, CZ, DK, FI, IT*, LU, LV, NL, UK	BE, DE, EE, PL
Legal provisions on social security protection	AT, BE, BG, CY, EL, FR, LT, RO, SE	CZ, DE, DK, EE, ES, IE, IT, LU, LV, MT, NL, PT	FI, HU, PL, SI, SK, UK
Absence of legal and administrative barriers for trainees from other EU MS	DK, IT, MT, SE, SI	BE, DE, EL, ES, FR, IE, LU, LV, NL, PL, RO	AT, BG, CY, CZ, EE, FI, HU, LT, PT, SK, UK
Traineeship contract offered as a common practice	AT, BE, BG, DE, DK, EE, EL, ES, FI, FR, IE, IT, LT, LV, MT, NL, PT, SI, UK	CY, LU, PL	CZ, HU, RO, SE, SK

Source: Traineeship study, European Commission (2012a) \* Note: In Italy guidelines on traineeship were published after the Traineeship study was completed, that include legal provisions on remuneration. They are not included in the table.

In many countries the training objective and the fact that traineeships are not considered to constitute 'work' result in the freeing of traineeships from minimum wage requirements, sometimes with an explicit stipulation of a minimum compensation and a (usually much) lower level of protection than for regular employees.

In practice, the distinction between training activities and work can be difficult as the hands-on nature of on-the-job training makes it hard to distinguish from work itself. Given the lower cost of trainees the stricter regulatory approaches therefore typically list criteria to differentiate what trainees and regular employees can do. If a trainee then carries out tasks not meant for a traineeship, the results can be a fine, or the application of the employment status to the traineeship, with consequences such as the need to pay minimum wage.

*An example of a strict regulatory approach: the US*

On traineeships, the U.S. follows a much more stringent regulatory approach than most EU Member States. Unpaid traineeships are allowed only under very restrictive rules aiming at ensuring a clear distinction from regular employment and a tight link to training purposes. For example, it is required that the training is similar to that which would be given in a vocational school; that the employer derives no immediate advantage from the activities of the trainees and that on occasion the employer's operations may actually be impeded; if these and other conditions (so-called six-point test) are not respected, the trainee is considered an employee

and entitled to minimum wage (Edwards, Hertel-Fernandez, 2010). In practice, however, these guidelines are hobbled by legal and technical issues making their application far from straightforward; partly for this reason they have not been extensively enforced until recently (Curiale, 2010).

#### *Similarities with legislation in EU Member States*

In Europe, the regulatory picture is fragmented and differs between countries and types of traineeships, but the criteria to delimit admissible training activities and regular job content appear to be less elaborate and detailed, if at all present. In France legislation dictates that “traineeships cannot be concluded to replace an employee in case of absence, of suspension of his contract, or to execute a regular task corresponding to a permanent job, to address a temporary work peak in the enterprise, to fill a seasonal job<sup>12</sup>. Spanish legislation distinguishes between post-studies traineeships, the *pràcticas no laborales*, which do not have employment status, and the *contrado de trabajo en pràcticas* which does; in the case of the *pràcticas no laborales*, the regulation prevents trainees to be utilised to ‘contribute a productive value’ to the traineeship provider, which is allowed for the *contrado de trabajo en pràcticas*. Such distinctions has been criticised as difficult to enforce and opening the door to abuse (Todoli, 2013, p. 6-9). The delimitation issue appears to be a challenge in many jurisdictions (see for example Langille, 2012 for Canada).

### **3. CONSULTATIONS AND STAKEHOLDERS’ VIEWS ABOUT THE MAIN PROBLEMS AFFECTING TRAINEESHIPS**

#### *Public consultation*

The Commission has consulted a wide range of stakeholders about which issues require policy action and the ways in which the EU could most usefully intervene. The results of these consultations were extensively reported upon in last year’s Analytical Document<sup>13</sup>.

Some of the main concerns expressed in the 2012 public consultations were on the appropriateness of EU intervention in this domain and the form that the intervention should take. Trade unions, as well as NGOs, youth organisations, educational institutions and most individual respondents generally supported a Commission initiative; some of them called upon the Commission to consider issuing a legally binding framework at EU-level. Employers’ organisations, chambers of commerce and industry often adopted a more sceptical stance. Employer organisations and Member States often referred to the need to keep the framework sufficiently flexible to take into account the diversity of national practices. Traineeships should not be burdened with heavy legal or administrative procedures. Calls for strengthening regulation in this area at EU level have been renewed recently, following the death of a trainee in an investment bank in London, reportedly due to excessive overtime work (*Les Echos*, 23 Aug. 2013).

#### *Scope of policy action*

Opinions about the scope of a possible initiative were varied. Many educational institutions preferred to keep the scope limited to traineeships that are part of study curricula/programmes; while other respondents including most employers suggested limiting the framework to ‘open market’ traineeships.

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<sup>12</sup> Art. 6 of decree of 29 August 2006 implementing art. 9 of law 2006-396, of 31 March 2006.

<sup>13</sup> SWD(2012)407 final, Brussels 5.12.2012

On the elements to be included in a QFT, most respondents agreed with the Commission's analysis and definition (traineeship contract, clear objectives and content, limited duration, adequate social security/remuneration etc.). Businesses and employers' organisations mostly argued that remuneration and social protection issues do not fall under EU competence; however, the European Roundtable of Industrialists (ERT) stated that in most cases trainees should be remunerated and highlighted the importance of the Traineeship agreement as a tool to clarify mutual obligations, including company confidentiality policies, the use of company (intellectual) property, and so on.

#### *Consultation with Social Partners*

Following the publication of the Analytical Document, EU Social Partners answered the first- and second-stage consultations confirming the positions already expressed in the public consultation. At the Social Dialogue Committee meeting of 23 October 2012 employer's organisations expressed their readiness to start discussions on traineeships as part of the EU social partner autonomous negotiations on a Framework of Action on Youth Employment. However, the European Trade Union Confederation at that stage considered that the discussions on the Framework were not the appropriate place for negotiations under Article 154 TFEU.

The 2<sup>nd</sup> stage consultation of the social partners was launched as part of the Commission's Youth Employment Package of December 2012. In their replies, EU social partners informed the Commission that they did not intend to launch negotiations on a possible agreement under Article 154 TFEU; therefore the Commission decided to go ahead with its own initiative, taking into account the views expressed in the consultation.

On 11 June 2013 ETUC, BUSINESSSEUROPE, UEAPME and CEEP presented their Framework of Actions on Youth Employment (FoA), resulting from social dialogue negotiations taking note of the Commission's intention to propose a Council Recommendation on the European Quality Framework on Traineeships. Social partners envisage taking further joint actions towards the Council and the European Parliament based on an upcoming Commission proposal for a Council Recommendation on a European QFT.

#### *Small and medium enterprises (SMEs) – SME test*

Following a consultation of SMEs through UEAPME in 2012, between March and June 2013 an SME test was conducted to inquire about the quality of traineeships provided by SMEs (from an employer perspective), as well as on the compliance costs of potential QFT measures. In total, 914 SMEs replied to the survey. The SME test showed that the majority of SMEs questioned (71.9%) saw offering traineeships as a way to select and train future employees, and as such the test highlighted the importance of traineeships to create jobs in such businesses (see Box 1 for the results).

## Box 1 Quantifying the factors driving the supply of traineeships

The Commission ran a survey among European SMEs between March and June 2013. SMEs were asked about their practices offering traineeships, their motivation to do so, the quality elements they ensure to their trainees and the compliance costs of these quality elements (as well as of quality elements that a potential Quality Framework for Traineeships could contain). As for their motivation for offering traineeships, 71.9% of a total of 914 SMEs reported they wish to train potential future employees; 35.4% underlined that trainees bring new ideas to the enterprise; 31.6% mentioned that it is part of their Corporate Social Responsibility policy to contribute to the education of high skilled staff. 12.8% said that offering traineeships helps them to build a corporate image. As for the cost savings, 10.8% replied that trainees provide a cheap and flexible workforce for the organisation (Source: European Commission, 2013).

These results are in line with previously available evidence from the UK. In a 2011 survey of 218 top, senior and middle level managers in the UK, 52% said that the main reason for taking on interns was to identify new talent for the organisation, while 17% said it was to get work done more cheaply. A 95% share of them believed that interns were useful to the organisation

Source: Commission services, 2013

### *Eurobarometer survey on traineeships*

In May 2013 a Eurobarometer survey was conducted in the EU27 and Croatia to quantify concerns about the quality of traineeships. This was the first-ever EU-wide representative survey on the topic. Its results are detailed in Box 2. Some of the most interesting results include confirmation of how widespread phenomenon traineeships are: 46% of the 18 – 35 year olds surveyed had completed at least one. For three traineeships one was deemed unsatisfactory, either in terms of working conditions or learning content in line with results of previous more partial surveys.

### *Further targeted consultations with policy experts and other stakeholders*

On 5-6 June 2013 the European Commission organised the conference 'Advice on apprenticeship and traineeship schemes'. Two workshops discussed the policy challenges on traineeships and quality assurance. The outcomes provided useful input to this Impact Assessment. Furthermore, a Trainee Forum was organised in February 2013 to discuss with trainees (mainly, but not exclusively from EU Institutions) the problems related to traineeships and possible solutions.

### *Consultations within the European Commission*

DG Employment, *chef de file* for this initiative, has had a long-standing regular cooperation with DG Education and Culture on traineeships. Further to the EMPL-EAC cooperation, DG EMPL set up an Impact Assessment Steering Group with the involvement of SG, SJ and DGs EAC, ECFIN, ENTR, HOME, INFSO/CNECT, MARKT and RTD. This IASG has met 5 times in the past year.

### *Recommendations from the Commission Impact Assessment Board (IAB)*

The Impact Assessment was submitted to the IAB in September 2013. In its first opinion of 4 October the IAB requested mainly to better clarify the problem to be addressed and to better reflect the existing regulatory and voluntary initiatives.

In its second opinion of 15 November 2013 the IAB made further requests to improve the problem definition, clarify the EU need to act, better explain how the options address the problems and better substantiate the impacts. Both opinions resulted in additions and redrafting of the Impact Assessment.

## 4. PROBLEM DEFINITION

### 4.1. Quality problems

The public consultation as well as the Traineeship study has listed a range of problems currently affecting traineeships in the EU. Two groups of problems in particular stand out as both being of key importance: one is the insufficient learning content and the second is the unsatisfactory working conditions.

1) The **learning content** problem refers to complaints that instead of receiving meaningful training, trainees are just put to work being asked to do menial tasks. This runs against the purpose of traineeships which is to learn. However this is not only an ethical issue – if too many traineeships provide insignificant learning, traineeships may acquire a bad reputation, undermining their effectiveness even of quality traineeships in easing young persons' transitions from school to employment.

2) The **working conditions** issue instead refers to complaints such as long working hours, lack of coverage for health and safety or occupational risks, lack of clarity on the applicable legal regimes, equal treatment, and so on. Bad working conditions undermine motivation and may create an unfair competitive advantage.

In the remainder of the analysis, we define as *substandard* traineeships those 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 share of traineeships are unpaid or, if paid, offer a compensation that does not allow trainees to cover basic living costs. This creates an *equal access problem*<sup>14</sup>. Furthermore, the fact that more and more traineeships are unpaid could create a tendency in the labour market for employers to replace paid workers with trainees. Indeed, the UK Low Pay Commission writes in its 2013 report about "widespread non-payment of the minimum for positions that appear to be work". The issue of pay or compensation as such will not be addressed at EU level due to subsidiarity reasons. Yet, more transparency would allow more efficient functioning of the labour market.

*No scarcity in domestic traineeships, but transnational traineeships are rare*

While no official statistics on traineeships exist, there does not seem to be a scarcity of traineeships.. Traineeships have become very common: the Eurobarometer survey indicates that a 46% share of youths have done traineeships, almost double the share of apprenticeships or student jobs. In addition, the average number of traineeships completed was 2.5 per person, which is scarcely compatible with the idea of a traineeship shortage. In addition, while the absence of statistics makes it impossible to prove, experts concur on the existence of a worldwide trend towards more traineeships; a growth has been notably observed in France<sup>15</sup>, Italy (for which data are available - see Figure 1) and in the US (Perlin 2011)). The reason why traineeships are spreading is likely to be linked at least partly with the fact that the majority of them are unpaid, or paid little, and thus represent a relatively affordable investment for traineeship providers even in times of crisis.

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<sup>14</sup> According to the UK Low Pay Commission in its report on National Minimum Wage (2011), traineeships are *de facto* becoming a precondition for more and more jobs,

<sup>15</sup> The French Economic, Social and Environmental Committee ("Conseil économique, social et environnemental) estimates that the number of traineeships increased from 600,000 to 1,6 million between 2006 and 2012,



However, there is a low number of *transnational* traineeships. The Eurobarometer survey found that only 9% of traineeships were transnational, despite very high student mobility rates, e.g. in the Erasmus programme. This appears to be an important missed opportunity in terms of reducing youth unemployment through mobility: currently, many vacancies cannot be filled on the local job market, and transnational traineeships could be a key facilitator for taking up employment in another EU Member State.

#### 4.2. How common are quality problems?

The next step in the analysis was to identify the *scope and frequency of quality problems*. This is not an easy task, given that no statistical office collects data on traineeships, and, with the exception of Italy, the available survey data are very scarce. To address this difficulty, a Eurobarometer survey was commissioned. The survey was conducted in such a way to give a representative picture of the traineeship experience in the EU in the recent years. Thirteen thousand people in all EU Member States and Croatia were asked about their traineeship experience.

##### *Comparing the results with earlier surveys*

The Eurobarometer survey, on account of its methodological solidity, its pan-European geographical coverage and its representativeness is a better basis than earlier surveys; it is also very recent (May 2013). Its results are detailed in Box 2. A comparison of the Eurobarometer results with other previous surveys however shows quite similar results; if anything the Eurobarometer gives a somewhat more positive picture, possibly due in part to answering biases (see Table 3 and Annex 12.6)<sup>16</sup>.

The questions in the Eurobarometer survey were selected to shed light on the elements that the Traineeship study had identified as being key for the quality of the traineeship. Special care was taken to formulate the questions to make them comparable across sectors and countries and avoid very general and purely subjective answers about satisfaction with the traineeship. Rather, the survey asked *specific questions* about the traineeship experience, such as whether a written contract was signed, whether a mentor had been assigned to the trainee, whether the trainee learned things that were useful professionally, whether the traineeship was paid and so on. The questionnaire was designed to be comparable with earlier surveys to cross-check results.

The answers made it possible to quantify how often the key quality elements identified by the Traineeship study were present. In line with more partial surveys done earlier, it found that while the majority of traineeships is of sufficient quality, a significant minority is not. In particular, 18%<sup>17</sup> of traineeships were reported to have an insufficient learning content, while in one case in four the working conditions (excluding pay) were found to be not comparable to those of regular employees in terms of working hours, leave rules, etc. Overall, 30% of traineeships were found to be substandard, i.e. deficient in terms of either learning content or

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<sup>16</sup> These differences might be due on the one hand, to a positive bias in the Eurobarometer survey (respondents answering a ‘cold call’ on previous life experiences might be unwilling to report that such experiences were useless or uninteresting) and on the other to negative sample selection in surveys administered by trainees’ advocacy groups. On account of these opposing biases, it seems likely that the true extent of problems lies somewhat above the level indicated by the Eurobarometer and below the one highlighted by previous studies.

<sup>17</sup> In the case of the randomly selected traineeship. The share for the last traineeship is lower, as their quality tends to be higher, probably owing to better selection.

working conditions. Often, the traineeships were found to be deficient in both aspects<sup>18</sup> (see Box 1). It is also important to note that this figure covers all types of traineeships (including traineeships as part of the study) and therefore might underestimate the phenomenon.

### **4.3. Consequences of quality problems**

The next step in the analysis was to evaluate what were the practical consequences of this lack of quality. The aim was not so much to assess the impact on the well-being or motivation of the trainee, but rather to check whether substandard traineeships led to worse employment prospects.

The econometric analysis contained in Annex 12.5 and based on the Eurobarometer results found a significant, in some cases highly significant link between the quality of the traineeships, and the employment outcome. In other words, *those that had done a substandard traineeship were significantly less likely to find a job afterwards.*

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

#### *How traineeship quality was measured*

For the purposes of the econometric analysis, traineeship quality was defined as the absence or presence of the quality elements identified in the Traineeship study (e.g. written agreement, presence of a mentor, comparable working conditions, etc). This allowed testing the relevance of these quality elements in terms of the employment outcome.

#### *The link between quality and hiring perspectives*

The econometric analysis in annex 12.5 confirmed the correlation, already highlighted in last year's Analytical Document, between quality and the intention to hire. It turns out that there is a clear link between working conditions and the probability of being offered a work contract at the end of the traineeship. Another example is that those who do not sign a traineeship agreement have only half the probability of being offered a work contract at the end of the traineeship. Several others of the quality elements identified by the traineeship study were found to correlate with the probability to find employment; this not only confirms the importance of quality in general, but also validates the relevance of the specific quality elements identified by the Traineeship study.

The best quality traineeships are typically offered by traineeship providers aiming to hire personnel. A high share of traineeship providers uses traineeships to prospect for potential employees – for example, this applies to almost three in four SMEs (71,9% according to the survey). The aim of creating a long-term working relationship with the best of their trainees explains why organisations wanting to hire put in more effort, on average, in training them properly and in providing adequate working conditions. It also explains the strong correlation between quality and compensation: the latter signals that the traineeship provider is willing to 'go the extra mile', and indeed, lack of remuneration/compensation is indeed associated with a significantly lower probability of being hired by the same organisation (see table 2). However,

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<sup>18</sup> As for no or low pay, about half of the traineeships are unpaid and a further 25% do not provide enough compensation to cover basic living costs. 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, among those who have not had the opportunity to go on a traineeship abroad but would have liked to, 38% indicated that lack of information was the main obstacle.

the Eurobarometer results also show that while paid traineeships are clearly better quality, it is not true that an unpaid traineeship need be substandard: trainees often reported their experience with an unpaid traineeship as positive and useful. *For this reason, this impact assessment does not consider the compensation issue as determinant for quality*, as done for example by Todini (2013).

Overall, the econometric analysis found that those who think their traineeship was helpful were only 60% as likely to be unemployed than those who disagree to such a statement. Another important result is that quality traineeships translate into a higher chance of being offered a work contract by the same organisation.

Another significant results underlining the importance of the quality elements identified by the Traineeship study is for instance that those who do not sign a traineeship agreement have only half the probability of being offered a work contract. Furthermore, lack of remuneration/compensation is associated with a significantly lower probability of being hired by the same organisation. Finally, there is a clear link between working conditions and the probability of being offered a work contract at the end of the traineeship.

.Table 2 Traineeships: compensation and quality indicators

<b>% share of traineeships satisfying the following quality element</b>	<b>Paid traineeships</b>	<b>Unpaid traineeships</b>
Employment offered at end of traineeship	42	20
Written agreement	77	52
Health / accident insurance	76	64
Traineeship (partly) in other country	13	8

*Opportunity costs*

The methodology used in the econometric analysis quantifies the employment impact but does not take into account the other opportunity costs from substandard traineeships. While trainees may ultimately be able to find a job, spending time on a substandard traineeship delays the entry into the labour market, undermines motivation, and, in the typical case of unpaid substandard traineeships, cause a running down of savings which could be used to acquire human capital. Given the Eurobarometer result showing the 36% of trainees do three or more traineeships, these costs can be significant<sup>19</sup>.

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<sup>19</sup> Eurobarometer, Volume B, Q2, p. 4.



## Box 2 Main results of the Eurobarometer survey on traineeships quality

The survey on traineeships quality was conducted In May 2013 in all EU Member States and Croatia: 12921 people in the age group 18-35 were interviewed on their personal traineeship experience.

The survey found that 46% of the 18-35 year old population had had at least one traineeship. Respondents had on average undergone 2.5 traineeships; of these 1.7 traineeships took place after the studies.

A 24% share of respondents had their last traineeship after finishing their studies (the majority of these traineeships are open market traineeships, i.e. no other party is involved apart from the trainee and the traineeship provider). The typical traineeship lasts one to three months (this is the case for 37% of all traineeships); only 15% of traineeships lasts longer than 6 months.

Those that had done more than one traineeship were asked about the last traineeship and then to a randomly chosen previous one. This was done to test the assumption that the last traineeship undertaken is usually better quality than previous ones, which was indeed fully confirmed. As a result two datasets are available; generally this Impact Assessment reports the result for the randomly chosen traineeship, felt to better represent average quality, however in some cases data are available only for the last traineeship.

Data confirm the validity of the concerns about the quality of traineeships, although they also show that the majority of traineeships is either of good or acceptable quality. Quality was measured through questions on the learning content (e.g. whether the trainee gained useful experience, whether a mentor was foreseen, etc), and on working conditions. Questions on pay/social protection were also included; however it is important to note that pay is excluded from the operational definition on quality, which relates only to satisfactory learning content and working conditions. A 30% share of traineeships was found to be unsatisfactory either with regards to working conditions or learning content (improving slightly to 25% for the last traineeship). As could be expected, low quality in working conditions is positively correlated with a poor learning quality.

More than one third (35%) of the trainees have not signed any traineeship contract, confirming fully the concerns about lack of awareness of working conditions.

As for the learning content, 18% report not to have gained useful knowledge in professional terms. About one in ten trainees (11% for the random traineeship, 9% for the last) could not turn to a mentor for any guidance.

A 23% share felt that working conditions (equipment, working hours, workload...) were inferior to those of regular employees.

While three in four trainees (76% for the random traineeship) were covered by social protection, the main concern put forward was confirmed to be pay/compensation: only 32% of trainees received compensation (40% for the last traineeship) and only 41% of those that were paid were able to cover their living costs. Thus, about four in five trainees had to finance their traineeship on their own, in whole or in part.

Trainees were also asked whether the traineeship vacancy notice made the level of compensation clear, with only 42% replying positively.

As expected, repeated traineeships also proved to be a major issue: almost one in four trainees (23%) were offered to renew or extend the traineeship at its end. This is a particularly doubtful practice since in such cases there is a strong suspicion that these traineeships simply replace jobs. However, 27% were offered a work contract after the end of the traineeship confirming the positive role that a traineeship can play in finding a job. On the other hand, 28% found that their last traineeship did not help them to find a job.

One in three trainees (34%) did not receive any certificate at the end of the traineeship. Adding up those who were offered to renew the traineeship and those who got a job, we find that half of the TPs were satisfied enough to keep the trainee.

Finally, the survey confirms the low rate of transnational traineeships: only 10% of the traineeships took place abroad. Among those who have not had the opportunity to go on a traineeship abroad but would have liked to, 38% indicated that lack of information was the main problem; while 48% referred to lack of resources.

Based on survey results, the low rate of transnational traineeships has a direct impact on mobility: amongst those who have had a traineeship abroad, their language knowledge was improved in a very large proportion (79%) and in a large majority the traineeship made them consider working abroad (69%).

Source: Eurobarometer, European Commission, 2013

Table 3 Overview of quality indicators for traineeships from different sources

Indicator	Value	Source(s)	Year	County
<b>Learning content</b>				
Mentor' s performance: good or excellent	88%	Eurobarometer	2013	EU-wide
Mentor' s performance: less than satisfactory or not satisfactory	11%	Eurobarometer	2013	EU-wide
Traineeship useful professionally	71%	Eurobarometer	2013	EU-wide
Traineeship not useful professionally	18%	Eurobarometer	2013	EU-wide
Mentor' s performance: good or excellent	55%	EYF Survey, p.19	2011	EU-wide
Mentor' s performance: less than satisfactory or not satisfactory	18%	EYF Survey, p.19	2011	EU-wide
Relevance to respondents' field of study: good or excellent	55%	EYF Survey, p.19	2011	EU-wide
Relevance to respondents' field of study: not satisfactory	6%	EYF Survey, p.19	2011	EU-wide
Beneficial in terms of extending experience and practical knowledge	83%	Fuchs / Ebert	2008	DE
Good mentoring	81%	Fuchs / Ebert	2008	DE
Useful in terms of learning outcomes	70%	Briedis / Minks	2005	DE
Duties/tasks at a good level	67%	Briedis / Minks	2005	DE
The traineeship content was good	64%	Kravietz	2006	DE
Usefulness for professional development	57%	Kravietz	2006	DE
Usefulness for professional orientation	66%	Kravietz	2006	DE
Good mentoring	61%	Kravietz	2006	DE
The tasks contributed to learning	88%	OPALA survey	2010	FI
Counselling / support during the traineeship was sufficient	81%	OPALA survey	2010	FI
<b>Compensation</b>				
Traineeship was paid	40%	Eurobarometer	2013	EU-wide
Compensation covered living expenses	18%	Eurobarometer	2013	EU-wide
Traineeship was paid	51%	EYF Survey, p. 15	2011	EU-wide
Compensation covered living expenses	25%	EYF Survey, p. 15	2011	EU-wide
<b>Working conditions</b>				
Working conditions worse than that of employees' (except for pay)	23%	Eurobarometer	2013	EU-wide
Feeling of being exploited	61%	Fuchs / Ebert	2008	DE
Traineeship plans lacking / not followed / not useful	62%	Briedis / Minks	2005	DE
<b>General level of satisfaction</b>				
Trainees completely satisfied with their internship	25%	Internocracy	2010	UK
Traineeships felt to be poor quality	30-40%	Traineeship study, p.831	2012	UK
<b>Comparison mandatory vs. open-market traineeships</b>				
VET students <i>satisfied/very satisfied</i>	88%	Traineeship study, p.151	2012	AT
University applied sciences graduates " <i>at least satisfied</i> "	80%	Traineeship study, p.151	2012	AT
General University graduates " <i>at least satisfied</i> "	70%	Traineeship study, p.151	2012	AT
Young graduates " <i>at least satisfied</i> "	52%	Traineeship study, p.151	2012	AT

Source: compiled by Commission services; see References section for details.

#### 4.4. Problem drivers

There are several causes for the existence of the ascertained high share of substandard traineeships. These relate both to the supply side and to the demand side. We examine them in turn. Finally, we discuss why the market fails to address the problem.

##### *Problem drivers acting on the supply side*

On the supply side, two different situations may arise: the traineeship provider may offer substandard traineeships because it does not know how to ensure quality (*unintentional low quality*) or, alternatively, the supply of substandard traineeships may be intentional and due to a conscious profit maximization strategy. The problem drivers differ depending on the case.

##### *Causes of unintentional provision of substandard traineeships*

It is important to note that, apart from a certain share of highly regulated traineeships, there are currently no quality standards or guidelines in general or common use and traineeship providers are typically not required to follow or implement any.

Some organisations may be well intentioned to offer a quality traineeship but simply be unaware of the requirements for a traineeship to be a successful learning experience. The Traineeship study has underlined that successful traineeships are usually characterised by a definition of learning objectives, a clear plan of how to attain them, and the availability of good mentoring.

A share of traineeship providers is likely to be unaware of these needs. The SME test results show consistently that many SMEs do not include the quality elements identified by the Traineeship study, yet a strong majority of them declare that they would not find it problematic to implement them. This refers for instance to elements such as signing a written traineeship agreement (71.8% ensure while 95% have nothing against) or to provide mentoring (60.7% against 93%) or a letter of reference (50% against 95.2%).

It is impossible to measure exactly the share 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<sup>20 21</sup>.

##### *Causes of intentional provision of substandard traineeships*

As underlined by Todini (2013), Langille (2012) and many others, traineeship providers often have a financial incentive to utilise traineeships improperly to carry out at a lower cost tasks that should be executed by regular paid employees. This incentive appears particularly strong considering the high share of trainees that do not receive any compensation at all; the high availability of trainees allows certain tasks to be carried out at almost no cost on a permanent basis.

Not surprisingly, to prevent this misuse of traineeship and the attendant distortions, many countries have legislation prohibiting the use of trainees to replace permanent employees. As mentioned in section 2.2, however, this prohibition is however very difficult to enforce owing to the difficulty of testing it, the scarce resources of labour inspection offices, and the lack of incentives both for trainees to put forward complaints and for labour inspection to enforce

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<sup>20</sup> Cfr. the 23% share of SMEs that do not provide a written contract, although this would not cause them any problem, and the 32% of SMEs that currently don't provide a mentor but would be ready to do so.

<sup>21</sup> It seems difficult to conceive that substandard working conditions could be offered unintentionally, therefore this explanation can refer only to substandard learning content.

aggressively (see, amongst others Todoli (2013) for a documentation of several cases in which trainees were used to replace employees).

#### *Problem drivers acting on the demand side*

Given the limited interest in entering a substandard traineeship, and the fact that they are typically unpaid, the main reason that candidates apply for them is lack of transparency (*information asymmetry*). It seems safe to assume that trainees would normally avoid substandard traineeships in favour of good quality ones, which offer a much better payoff in terms of chances for employment.

However, the quality of the traineeship is difficult to assess before it starts, and when the traineeship is started, the trainee has neither the possibility nor the incentive to complain. If trainees hope to be hired later or fear blacklisting, they will be very reluctant to lodge complaints or litigate. Even in the USA, where the institution of ‘punitive damages’ and the right to minimum wages can constitute powerful incentives to legal action, litigation is very rare and until now has not proven a deterrent for abuse (see Curiale 2010).

As a result, it is easy for a traineeship provider to under deliver on the quality of the traineeship, i.e. on the learning content or on the general conditions of work or on both, creating a market failure.

#### *Asymmetric information and lack of incentives for complaints create room for market failure*

It is the combined effect of asymmetric information and the lack of incentives for trainees to put forward complaints<sup>22</sup> that prevent the market from pricing and discouraging substandard traineeships. For reasons explained in detail in annex 0, asymmetric information is a much bigger problem in traineeships than in regular employment contracts. Thus, the traineeships market is characterised by a long-term equilibrium in which a majority of quality providers of traineeships coexist with a 20% -25% share of substandard traineeships providers.

One may consider the question whether young people would apply for a substandard traineeship if they knew about it before starting. This appears unlikely given the modest payoff from a substandard traineeship and the fact that the majority of traineeships are good quality – meaning that finding a good traineeship is not an impossible task. The main reason therefore appears to be quite simply lack of information on their trainee's part on what they can concretely expect from that traineeship (see Box 3).

Finally, one should mention that the current deep recession aggravates the above problems leading to a further decline in traineeship quality. The impact of the labour market situation on the traineeship market is outlined in Section 9.1.

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<sup>22</sup> The cyclical effect in the labour market worsens the situation in contributing to the asymmetric information and lack of incentives for complaints.

### Box 3 A low learning content traineeship

A traineeship experience abroad is important, but in my case it's been a wasted opportunity" says G.C., who did a traineeship as a fourth year law student. "I applied for a five-month traineeship organised by my university at a law firm in London, in the department for international property purchases. There were almost exclusively lawyers from my country there. My role was essentially making photocopies. My working time was the same as for the colleagues, I tried to be proactive but de facto I just did secretarial work like handling email and archiving documents. I was not the only one in that situation; in the firm there were other two boys whose judgement was equally negative. My impression was that they were just looking for people to put to work for free; they were continuously looking for trainees, certainly not with training purposes.

Source: abridged from Repubblica degli Stagisti, E. Della Ratta, 8 March 2010

## 5. LEGAL BASIS AND SUBSIDIARITY

### *Legal basis*

Currently there is no European legislation specifically directed at traineeships. The legal bases for this initiative are Articles 153, 166 and 292 TFEU. According to Article 292 TFEU, the Council can adopt recommendations on the basis of a Commission proposal in the areas of EU competence.

According to Article 153 TFEU, the Union shall support and complement Member States' activities in the field of, inter alia, working conditions, social security and social protection of workers, and also the integration of persons excluded from the labour market and the combating of social exclusion.

In this respect it should be noted that the definition of workers is wider than that of employees and is usually interpreted extensively. Furthermore, under current conditions a large proportion of trainees may be considered to be at risk of exclusion from the labour market. This article therefore applies to traineeships. This is corroborated by the circumstance that Occupational Safety and Health legislation considers trainees and apprentices as covered by the scope of the Directives based on the framework Directive of 1989<sup>23</sup>, whose basis is Art 153 TFEU.

Since Article 153 TFEU applies only to workers and, therefore, only to traineeships which are remunerated, Article 166 TFEU is added as additional legal basis. According to Article 166 TFEU, the Union shall implement a vocational training policy which shall support and supplement the action of the Member States, while fully respecting the responsibility of the Member States for the content and organisation of vocational training. Depending on whether the traineeship is remunerated or not, Article 153 or 166 TFEU apply respectively to ensure equal treatment.

The provisions of Article 153 TFEU do not apply to pay, by virtue of Article 153 para. 5 TFEU. However, the latter provision does not stand in the way of addressing problems regarding transparency of pay, by recommending that the written traineeship agreement clarifies *whether or not* remuneration would be applicable.

### *Subsidiarity*

In the case of traineeships, the differences between national labour market institutions do not seem to play a major role, as the nature of the complaints and concerns is very similar

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<sup>23</sup> Directive 89/391/EEC.

everywhere, and quality problems in traineeships are frequent even in the Member States with a more favourable labour market situation. The Traineeship study found that only in five Member States was there no presence of questionable practices (see Annex 12.1 and the Traineeship study, p. 94).

An EU-wide solution presents several advantages:

- 1) The quality guidelines adopted or proposed by different bodies in different countries look quite similar. Differences reflect mainly remuneration and the presence of certain compulsory or binding elements, such as limitations of successive traineeships, which are usually absent from voluntary charters (see Table 5). This suggests that there is no great need for adaptation of quality standards to local conditions.
- 2) Secondly, an EU wide-solution would have benefits in terms of trainees' mobility. Young people would find it easier to accept a traineeship in another country if the existence of standard practices or rules gave them a clear understanding of what they can expect.
- 3) Thirdly, experience shows that, owing to coordination problems, the definition of internationally accepted quality standards can be faster if supranational institutions adopt a coordinating and supporting role.

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 (see among others the Conclusions of three recent European Councils: December 2012, February 2013 and June 2013).

The reason why the European Council has repeatedly asked for the Commission to put forward a proposal for the QFT seems likely to be linked to the current fragmentation of regulation and the absence of quality criteria in general use, which can be taken 'off the shelf'. Given the situation of diverging regulatory frameworks, it helps to have a common understanding of what a traineeship is and of its minimum standards. In addition, several Member States do not have a long experience in regulating traineeships: as demonstrated by the Traineeship study, in many cases they are still largely unregulated. Therefore, a QFT can help shape Member States' policies and regulatory approaches. In this way, the EU could concretely support Member States in implementing the Europe 2020 employment guideline nr 8, in particular 'enacting schemes to young people and in particular those not in employment, education or training find initial employment, job experience or further education and training opportunities, including apprenticeships, and should intervene rapidly when young people become unemployed.'

A Europe-wide QFT would also help address the low number of transnational traineeships. It would help address one key obstacle for cross border mobility, lack of information, in an area of great regulatory fragmentation, and the Recommendation would help to underpin the support provided by ERASMUS+.

Finally, the QFT is essential for the extension of EURES to traineeships, as requested by the European Council conclusions of 28/29 June 2012<sup>24</sup>. EURES should support trainee mobility through quality traineeships. Substandard traineeships will not help smooth education to work transitions.

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<sup>24</sup> [www.consilium.europa.eu/uedocs/cms\\_Data/docs/pressdata/en/ec/131388.pdf](http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/en/ec/131388.pdf)



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). The Council Recommendation refers to a '*good quality*' offer of traineeships – therefore a QFT can be an important reference point for ensuring this.

## **6. 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 traineeship providers (TPs) limited;
- (3) Enhance information on and facilitate access to transnational traineeships.

The operational objectives are:

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

## **7. 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 including the transnational dimension, the role of the social partners and corporate social responsibility aspects.

In light of the further deterioration of youth access to the labour market, the Commission launched the 'Youth Opportunities Initiative' in December 2011. The Youth Opportunities Initiative also confirmed earlier commitments to present a quality framework for traineeships in 2012. Traineeships were included in the 2012 Employment Package; quality traineeships are also an integral part of the Youth Guarantee concept and therefore their development is a prominent objective of the 2013 Youth Employment Initiative.

Within the 2013 European Semester, 16 Member States were addressed a Country Specific Recommendation (CSR) on "enhancing access to lifelong learning, upgrading the skills and competences of the workforce and increasing the labour market relevance of education and training systems, VET". Typically, the CSR recommend increasing the availability of work-based learning, whether apprenticeships or work placements in companies. 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 MS where needed.

Actions to improve traineeship quality also relate to the recognition of qualifications, and in particular cross-border ones. This is of particular importance for the regulated professions but might concern other professions as well<sup>25</sup>.

Developing a QFT also contributes to the Commission's endeavour to lift obstacles to the full enjoyment by citizens of their EU rights, and notably their right to free movement.

Finally, a QFT can allow the Commission to work together with the Member States towards the inclusion of traineeships in EURES, as requested by the European Council conclusions of 28/29 June 2012<sup>26</sup>.

## 8. POLICY OPTIONS

The peculiar challenge in regulating traineeships is the difficulty of enforcing legislation, as highlighted most clearly by the examples of the United States, where, despite the existence of restrictive rules, internships often suffer from abuse (*see section 0*). In the EU, literature puts forward a similar experience in Spain (*see Todoli, 2013*). The existence of abuse in an environment with generally effective institutions and law enforcement depends on the general unwillingness by interns to launch complaints against employers. Hence, strategies based mainly on repression do not appear effective in this context. Therefore, the policy approach followed here is *not* to attempt stimulating *ex-post* complaints by dissatisfied trainees; rather, the objective is to increase the transparency of the traineeship market *ex ante*, so as to address the key problem drivers, i.e. lack of information and/or asymmetric information. This will make it easier for traineeship candidates to screen the offered quality before they make a commitment with a traineeship provider.

Four options that are in line with this approach have been identified and are listed in Table 4 alongside the 'no change' or 'baseline' option 0. Their expected impacts and the possibility and usefulness of combining them will be assessed in Section 9. Given lack of data, the analysis of impacts is largely qualitative.

Table 4 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 MS
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 TP. The agreement would have to include information on objectives, learning content and monitoring, duration, remuneration

<sup>25</sup> For traineeships in the regulated professions, the legislative proposal amending Directive 2005/36/EC foresees the introduction of a compulsory recognition mechanism.

<sup>26</sup> [www.council.europa.eu/uedocs/cms\\_Data/docs/pressdata/en/ec/131388.pdf](http://www.council.europa.eu/uedocs/cms_Data/docs/pressdata/en/ec/131388.pdf)



			or cost compensation, and social security coverage.
3b	Council Recommendation on a QFT with enhanced transparency (QFT + Transparency)	Guideline	The same as 3a + Information on pay/ compensation in vacancy notice + transparency requirements on hiring policy for unpaid traineeships
4	Directive on a QFT + enhanced transparency	Regulation	The same as 3b but in the form of a Directive

### *Option 1: information website*

Option 1 consists of the creation of 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, which could possibly set up within the EURES portal, would include links to the relevant authorities in Member States.

#### *Rationale*

This option mainly addresses one problem on the supply side, that is to say unintentional provision of substandard traineeships. It also addresses one factor facilitating abuse, i.e. lack of information on the part of trainees of about their rights, and could also help organisations unsure about the rules applicable onto traineeships, particularly if they have never offered a traineeship position.

In addition, this option could facilitate demand for transnational traineeship positions. A properly designed, user-friendly website would allow easier access to general information on national legislation of for traineeships. This should have a positive effect on increasing the availability of candidates for transnational traineeships. Over time, greater availability of candidates could stimulate also an increase in interest by TPs particularly those facing, for whatever reason, difficulty in attracting domestic applicants for certain vacancies, and therefore have a moderate positive impact on supply.

### *Option 2: voluntary quality label*

Option 2 consists of setting up at EU level a Quality Label to certify adherence to certain quality standards on the part of TP that voluntarily apply for it. This option could be implemented in various ways, either in a fully decentralised manner (by country or even by sector) as has happened in the relatively few existing examples (eg in the UK Code of Best Practices or in Italy's OK stage by Repubblica degli Stagisti).

The criteria for the award of the quality label could vary quite substantially by country or sector; alternatively, one may seek to define similar or even identical criteria for the entire EU. Defining common – or very similar – criteria would be better for fostering transnational traineeships; on the other hand, allowing criteria to differ significantly between countries or sectors would allow adapting the standards to local conditions.

The quality principles could be elaborated by relevant national authorities in cooperation with social partners, specifying minimum standards for the format, learning content, and working conditions of the traineeship, taking as a starting point the recommendations of the Traineeship Study (see Box 4). The quality label could also include commitments on

remuneration and social security coverage. By voluntarily committing to respect the principles, TPs could publicise themselves as ‘fair to trainees’ or similar. To strengthen the reputational benefit for TPs, the label should be advertised and managed by a body or stakeholder entity guaranteeing impartiality. This option would mainly address the problem of unintentional supply of substandard traineeships.

### *Option 3: Council Recommendation on a Quality Framework for Traineeships*

This measure would consist in 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 and signed Traineeship Agreement is made compulsory, which is currently not the case in many Member States. The Agreement should include a series of elements that have been shown to increase the quality of the traineeship experience.

Two sub-options are proposed: in option 3a, the Council Recommendation would only consist of quality guidelines to be included in the Traineeship Agreement (listed in Box 4). In option 3b, the content of the QFT is strengthened by including additional transparency requirements that allow young people applying for traineeships to make a more informed choice.

### *Option 4: Directive on a Quality Framework for Traineeships*

Content-wise, this option would be the same as Option 3b, i.e. presentation by the Commission of a proposal for a Quality Framework for Traineeships with transparency requirements, but in contrast to option 3b, the proposal of the Commission would take the form of a Directive based on Article 153 2(b) TFEU. So the only difference between Option 3b and 4 is the choice of the instrument.

The choice of a Directive as a legal instrument implies that Member States, once it is approved and enters into force, must transpose it into their legal system because it is, unlike a Recommendation, a binding instrument. This has important implications in terms of proportionality and the subsidiarity issue.

## **9. ANALYSIS OF IMPACTS**

We assess the options on the basis of whether they can create disincentives to targeting intentional substandard providers, while not creating any obstacles to quality providers. This can be done by addressing the different motives of quality and substandard traineeships providers. The analysis is mostly qualitative due to the limited availability of data and the lack of models allowing this type of simulation.

The text on each policy option as well as the overview tables in the annex explain in details the expected impact on supply and demand for both quality and substandard traineeships and concludes on the effectiveness of each option.

### **9.1. Option 0 – Baseline**

*Foreseeable business cycle impact on traineeships*

The supply of traineeship positions depends on broadly similar factors as vacancies for regular jobs. If firms anticipate greater demands for their production in the coming quarters, they may start considering the needs to hire new personnel, and this will stimulate the offer of those traineeship positions that are preliminary lead to a hiring. Thus it is likely that the share of quality traineeships (as these are typically linked to hiring) increases in an upturn and decreases in a downturn. Given the typical labour market lags and the worsened employment outlook, the share of quality traineeships is likely to decline in the coming quarters.

TPs also offer traineeship positions due to the *replacement motive*. Given their lower cost, if they face a pressure to cut costs, enterprises may attempt to replace regular workers with trainees. This factor too seems likely to intensify in the coming quarters. Moreover, other workers and trade unions may be more willing to tolerate this behaviour by TPs/ businesses if the survival of the firm is at stake.

The issue can be framed in economic terms by discussing whether trainees are, on average, *complements* of or *substitutes* for of regular workers. If they are substitutes, a higher number of trainees will be associated with a lower number of regular workers. If they are complements, a higher number of trainees will instead be associated with a higher number of regular workers. As the number of regular workers is driven down by the crisis, in the substitution case the number of traineeship positions would tend to *increase* with the crisis, while in the second case their number would *fall* as the labour market situation worsens.

In the absence of econometric studies that measure the degree of substitutability of trainees with regular workers it seems reasonable to assume that substitutability of senior, highly experienced personnel dealing with technically complex issues with trainees is limited. Conversely, trainees may more easily be substitutes for simpler or routine tasks. Overall it seems likely that the sharpening of the crisis leads to greater substitution effects; this should boost the number of traineeships in the short run.

Overall, there is no reason to believe that the quality problems discussed above would become less frequent in the future as a result of developments in the economy. As mentioned in Annex 12.6, economic incentives are such that the current equilibrium with a high share of substandard traineeships is likely to be sustained in the absence of policy action, with the crisis likely to increase the share of substandard traineeships.

#### *Foreseeable impact of institutional developments on traineeships*

Other sections of the Impact Assessment have illustrated recent institutional developments. Although concerns about abuse of open-market traineeships are widespread, this has prompted policy action only in a limited number Member States (France, Italy and Spain represents the main examples). In general, the modifications put forward or envisaged by these countries go in the direction of increasing protection of trainees, e.g. by mandating payment (traineeship guidelines approved by Italy) or by restricting the ability of traineeship provider to offer traineeships on the open market (France). However, the content of these policy actions does not take into account the international dimension of traineeships<sup>27</sup>.

One can speculate that owing to increasing demands by public opinion, certain Member States might introduce regulation, and social partners might adopt quality charters at national or sectorial level; these however would not be coordinated, reflecting also the lack of universally

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<sup>27</sup> Since these are all very recent initiatives, there are no evaluations about their effectiveness. However similar regulatory approaches in the US seem to have a limited effectiveness. (Curiale, 2010); while voluntary schemes' effectiveness is limited by low take-up rates (in Italy, a few dozen companies have applied for the OK stage label, a take-up rate in the order of magnitude of 1 in 10.000).

accepted quality standards, and therefore would retain the fragmented nature of the current landscape, with its negative effects on trainee mobility.

Another possibility is that given increasing public concern about trainee exploitation, there might be a greater trend towards adoption of voluntary quality charters by TPs. This is however unlikely to change the situation perceptibly, mainly due to the fact that mostly those TPs will adapt to such voluntary charters that offer quality traineeships anyway (see section 0 for an analysis).

Overall, looking at developments on the ground, there seems to be limited movement towards spontaneous development of global or EU-wide quality standards. While it is possible that there are further national or international initiatives, experience shows that these are scarce and – especially voluntary ones – ineffective (see the low take-up rate of the Italian OK stage label: an order of magnitude of about 1 to 10 000). While the European Quality Charter on Internships and Apprenticeships could be considered as a relevant international initiative, as an NGO initiative and with only limited support from employers, it is currently applied by few businesses only on a completely voluntary basis. Furthermore, the Charter itself in its Preamble urges EU institutions to '*commit to establish legal quality frameworks for internships and apprenticeships*'.

In addition, the repeated calls by the European Council for action at EU level have created the expectation of a forthcoming EU initiative, making it even more unlikely that Member States or lower government levels, spontaneously develop or launch new initiatives. As for social partner action, the decision not to negotiate an autonomous agreement at EU level also indicates a low likelihood of spontaneous action.

Therefore we can assume that in the lack of a widely accepted European initiative the overall share of substandard traineeships will further increase owing to the effects of the crisis or at best stay constant. Furthermore, one of the key outcomes of the stakeholder consultations was the wide support towards a QFT – even business organisations acknowledged the need for action in this field.

Overall we may conclude that in the absence of policy action labour market developments would likely lead to a worsening of the situation for trainees and that institutional development at MS level, given the track record so far, are unlikely to result in the problems of traineeships being addressed soon.

## **9.2. Option 1 – Information website**

### *Impact on supply of traineeship positions*

As already described in the previous section, option 1 consists of the creation of 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. This option would not increase costs for TPs – it might even reduce them marginally to the extent that they, too could more easily access information about this topic. However, organisations that intentionally offer substandard traineeships to profit from cheap labour are likely to continue to follow their strategy so long as they find willing candidates: the experience of countries with rigid traineeship regulations suggests that greater rights awareness is not going to stimulate complaints by trainees. As for quality traineeships, there is no reason to expect any impact on their supply.

### *Impact on demand for traineeship positions*

Similar considerations lead to suggest that the effect on demand for traineeship positions by young people would be negligible, at least in a domestic context. In the majority of cases young people will already have access to domestic information resources to clarify the applicable rules. The complexity of the rules applying to traineeships may mean that in some cases a new, well-designed information resource fills a gap, but this is unlikely to play a major role, except for transnational traineeships, where the role of informal networks is smaller and there may be linguistic or other barriers.

#### *Costs*

The website could be set up by and run centrally for the entire EU by the European Commission or another organisation, to ensure a similar content and layout for each MS, or could be managed by a network. While there is no compliance cost for Member States or TPs, there would be some budgetary implications for the organisation running the website (possibly the European Commission). However, an information website could be implemented at a cost presumably below € 1 million per year.

#### *Overall assessment of effectiveness*

This tool partly addresses the quality problems through providing better information, i.e. the lack of general information on standards, but does not provide any information on the quality of specific traineeship positions on offer. Hence, the impact of this option on traineeship quality is positive but modest, as greater awareness of rights has been proven to be of limited effectiveness on domestic traineeships. As regards specifically the problem of insufficient learning content, no real effect or perhaps a slight positive effect is to be expected. Similarly, a slightly positive impact on bad working conditions might be achieved. It might have a stronger impact on stimulating transnational traineeships, owing to the greater difficulty of finding information for foreign countries. Overall, this seems to be a measure that can usefully complement other solutions, given also its low cost; but is not effective enough as a stand-alone option.

This option thus represents no real effectiveness for domestic traineeships but a likely positive effect on transnational traineeships. It should help the development of transnational traineeships but is unlikely to change the balance between substandard and quality traineeships. In terms of efficiency, this can only be seen as a partial solution, but given its low cost, it could be a useful complement to other options. It is a fully coherent option.

Further details are provided in table 9 in Annex 12.13.

### **9.3. Option 2 – Voluntary Quality Label**

#### *Impact on supply of substandard and quality traineeship positions*

The weak point of this option is that by definition it has no impact on the supply of intentional substandard traineeships as TPs/businesses offering them will obviously not apply for the label. Only if the label – as part of a certification process - eventually becomes a prerequisite for public financial support to traineeship programmes, such as the ESF, may it serve as an incentive to upgrade substandard traineeships, thus increasing the supply of quality traineeships.

TPs offering quality traineeships should not suffer any meaningful compliance costs as they will already be applying the principles of the Quality Charter. On the contrary, the Quality label provides a reputational advantage. For this reason, this option is likely to have, if



anything, a positive impact on the supply of quality traineeships. The significance of this however depends crucially on the conditions of the labour market, as the payoff to participating companies is significant mainly when it is not so easy to attract candidates for traineeships, which is far from the current situation.

The size of the impact will obviously crucially depend on the take-up rate by TPs.

#### *Impact on demand for traineeship positions*

Introducing a quality label where it does not exist is equivalent to segmenting the market. Market segmentation generally increases overall demand (and would obviously decrease demand for substandard traineeships). However, for this to happen, segmentation must be effective, i.e., there should be a reasonable availability of traineeship positions with the label. It is doubtful that this would be the case (see *overall assessment of effectiveness* below). The measure therefore would increase the availability of candidates for those companies offering a voluntary quality label but not overall given the expected limited take-up rate.

#### *Costs*

To minimise costs, compliance by the TPs to the principles of the Charter would not be monitored systematically, but ways would need to be found, either at EU or at individual Member State level, to handle complaints by trainees about companies not following the code/guidelines. Under this approach, the quality label could be attributed to all organisations that would commit to it without advance inspection or screening. A certain number of duly justified complaints could lead to the withdrawal of the label. Such a light organisation would allow the label to be managed by the companies concerned, or by a small external office.

#### *Overall assessment of effectiveness*

Overall, this non-regulatory approach has the merit of encouraging and guiding TPs by providing a reference for quality standards while its voluntary nature ensures that it is bearable for TPs. The strength of this option lies in the advantages of a voluntary/soft-law solution, i.e. flexibility and lighter-touch regulation, which minimizes the risk of imposing undue compliance costs to TPs. It goes some way into providing a positive incentive for adoption, given that one of the motives for organisations to offer traineeships is improving their reputation, which could be enhanced by a quality label. The voluntary nature of the commitment ensures that the compliance burden for TPs would remain acceptable<sup>28</sup>. This option might also stimulate cross-border traineeships.

However, a soft-law solution is typically well suited to cases in which the market is receptive to the need for regulation, or there are advantages to all participants from standard-setting, but the setting of standards itself is either highly technical, or needs to evolve rapidly or needs to be extensively tailored. None of this seems to apply to traineeships. Furthermore, the option suffers from a fundamental weakness, its limited or nil disincentive effect for substandard traineeships. In terms of the problems of insufficient learning content, only a slight positive impact can be expected. The bad working conditions to be found in intentional substandard traineeships are not expected to be affected.

Overall, the main disadvantage of this option is the risk that few organisations bother to apply for the label. 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, a take-up rate in the

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<sup>28</sup> During the public consultations several employer organisations showed sympathy towards a QFT within a quality label.

order of magnitude of 1 in 10.000. The situation does not seem to differ elsewhere. Hence this option appears ineffective.

It could be argued that this option would be **effective** to some extent in fostering the development of transnational traineeships but it is unlikely to change the balance between substandard and quality traineeships. In terms of **efficiency** this is only a partial solution as the impact is so dependent on the take-up rate, and very little impact is expected on intentional substandard TPs/businesses. The **coherence** of the option is potentially endangered by the potential for differences amongst labels which could create inconsistency and obstacles to mobility.

Further details are provided in table 10 in Annex 12.13.

#### **9.4. Option 3 – ‘Council Recommendation on a Quality Framework for Traineeships**

##### *Implementation*

The Council Recommendation could be adopted on the basis of Articles 153 and 166 TFEU in conjunction with Article 292 TFEU. The Council recommendation would invite all Member States to introduce the policy option chosen in their legislation within a certain deadline; the usual employment policy coordination mechanisms and structures would then monitor implementation and compliance. Given the fact that several Member States have received Country-Specific Recommendations (CSRs) on youth employment issues, the European Semester coordination mechanisms could also be utilised in this context to monitor progress. Furthermore, the implementation and monitoring of Youth Guarantee schemes also provide a natural opportunity for the implementation of a recommendation on a QFT; in the medium term, one objective could also be to link public funding of traineeships to those that satisfy the requirements of the QFT.

The description of the content, rationale, impact and overall assessment is given separately in the following for each of the two sub-options 3a and 3b. The advantage of implementation through a Council Recommendation is that it offers the prospect of a faster adoption. However, by its nature implementation of the Recommendation by Member States may be different and could be delayed considerably in certain Member States; depending on the rate of adoption, this could undermine considerably the achievement of the objective of providing a common framework for the EU, which is in turn essential to address low international mobility of trainees.

Given the choice of a Council recommendation, practical implementation and enforcement of both options would be up to the Member States. Nevertheless, the following sections contain some comments on the implementation challenges most likely to be met, on the basis of international experience.

##### *9.4.1. Option 3a – Council Recommendation on a Quality Framework for Traineeships 'basic'*

##### *Description*

This sub-option would require signature by both parties of a written Traineeship Agreements. The quality elements to be included in it would be those identified by the Traineeship Study (p 127 section 9.4), listed in Box 4. They comprise straightforward requirements such as explicit identification of a mentor, of the main learning objectives, and basic elements of the working conditions such as duration, the indication of what compensation, if any, is granted, etc.

These requirements are based on the analysis of the Traineeship study, which found that adoption of a small number of key elements resulted in better quality traineeships. The Traineeship study further found that these elements were spontaneously adopted by the best traineeship providers. However a series of factors, including the availability of candidates for traineeships, but also lack of guidance to help traineeship providers to spontaneously develop and adopt better approaches to traineeships in a situation where few guidelines exist, was slowing the spread of good practices.

The elements chosen represent a middle-of-the ground approach compared to those that have been put forward in a series of recent initiatives (see Table 5) by different types of bodies. Several of the elements contained in the Commission proposal for a QFT were tested in the econometric analysis in annex 0 and found to have a significant positive link with employment outcomes.

The QFT put forward in this proposal includes a limit on the duration of the traineeship. This is meant to limit distortions to the labour market, particularly in terms of the risk of substituting regular jobs with traineeships. As shown in Table 5, this clause is present in almost all examples of quality frameworks and is typically an element in legislation on traineeships. This is in line with the Eurobarometer result that 85% of traineeships last less than 6 month.

Table 5 Comparison between the quality elements under QFT option 3a and a number of recent initiatives

<b>GUIDELINE NAME</b> <i>Issuing Organisation</i>	<b>Loi Cherpion</b> (FR)  <i>Government</i>	<b>European Youth Forum Charter</b> (EU)  <i>Youth Organisation</i>	<b>Carta dei diritti dello stagista(OK Stage)</b> (IT)  <i>Trainee Organisation</i>	<b>EU QFT Project</b> (EU)  <i>EU</i>	<b>Common best practice code for -quality traineeships internships</b> (UK)  <i>60 Professional bodies</i>	<b>Charte des stages de l'enseignement supérieur</b> (FR)  <i>National Employer's Organisation (MEDEF)</i>
<b>CRITERIA</b>						
No open-market traineeships	X					X
Mandatory written agreement	X	X		X	X	X
Learning quality content		X	X	X	X	X
Personal mentor		X	X	X	X	X
Proper material and space for working			X			
Limitation of the duration	X	X <sup>29</sup>	X	X	X	
Limitation of successive traineeships	X	X <sup>30</sup>	X			
Limitation of the number of trainees per entity		X	X			

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Information about the remuneration/compensation	X	X	X	X	X	X
Minimum remuneration/compensation	X	X	X			
Information about social insurance		X		X		
Same rights as employees regarding social and cultural activities	X					

### *Possible variations*

A possible variation of this option could be constituted by nominating an ombudsman at national or European level. The ombudsman would intervene on complaints filed against TPs that do not comply with the QFT. This might increase pressure on low-quality traineeships. The impact is difficult to assess, as it would depend on the stringency of the national legal framework, on the effectiveness and costs of the legal system, on the share of non-intentional substandard suppliers and probably also on administrative and corporate culture.

### *Rationale*

The Traineeship Study has found that the fact of having to fill a written Traineeship Agreement stimulated the adoption of best practices by focussing attention on them. The introduction of a written traineeship agreement which lists the key quality elements is especially helpful in the case of the *unintentional* providers of substandard traineeships.

The strength of this approach is that the choice of the Council Recommendation instrument allows strict respect of the proportionality principle: Member States that have already introduced in their legislation a sufficient number of safeguards and quality elements will not need to act. For example, the regulation of traineeships in France or Italy currently goes beyond the quality elements identified in the Commission study. Member States shall also be free to assess whether it is opportune to go beyond the QFT proposed here to encompass also the issue of minimum remuneration, which the QFT does not touch (largely because of lack of EU legal competence in the area). The proposal for a Council Recommendation will detail in the appropriate legal form the quality elements listed in Box 4.

The use of the Council Recommendation with its inherent greater flexibility should not detract from the need for several Member States to take urgent action. As highlighted in Section 0, the current regulatory framework is patchy and fragmented, and in many Member States there is even no need for a signed traineeship agreement. Furthermore, Eurobarometer data show that substandard traineeships are common in a large number of Member States.

Data also show that particular problematic aspects tend to be endemic in specific countries, which also renders the use of a Council Recommendation more tailored. For example, a basic requirement for a quality traineeship is the possibility to turn to a mentor for assistance and help on how to do the job; but while data show that this was almost never a problem in Lithuania, a very large share of trainees in Spain (more than one in five) reported that they could not. Table 8 in Annex 12.11 indeed confirms that low quality, while common even in countries with generally good training systems and low youth unemployment, varies quite substantially in extent and in the nature of the deficiencies reported.

A Council Recommendation approach is also well suited to monitoring and following up progress on traineeship quality in the European Semester. It is worth to recalling here that a large number of countries were addressed Country Specific Recommendations on youth

issues; adopting the QFT guidelines on traineeships would be a way of making progress on one aspect of the problems.

#### Box 4 Key quality elements identified in the Traineeships Study

The Traineeship study surveyed the situation in all EU27 Member States and for all types of traineeships with the aim of pinpointing best practices, starting from the principle that a good quality traineeship should enable the trainee to acquire practical skills geared to the labour market needs and complementary to the trainee's theoretical studies in order to enhance the trainee's employability.

A number of principles can be identified that characterise a good quality traineeship. A fundamental point is the presence of a mandatory traineeship agreement. A good quality traineeship should be based on an agreement between the trainee and the traineeship provider (i.e. company, public agency etc.). In this respect it is worth noting that the Eurobarometer survey on traineeships of 2013 reports that only 62% of trainees have signed a written agreement<sup>31</sup>.

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 traineeship provider. The supervisor has 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 6 months (this duration, besides being recommended by the traineeship study, is also commonly taken up by Member States in their legislation, such as the most recent initiative on traineeships by the UK,). 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 regulated<sup>32</sup>.
- *Working conditions:* the agreements should specify 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 traineeship provider and the trainee in terms of knowledge transfer and learning, unpaid traineeships may be appropriate. Hence, the quality guideline only stipulates that the written stage 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, in particular as concerns coverage from health insurance and from 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 fulfill insurance obligations as stipulated by labour law in the respective country. If this is not the case, the contractual arrangement should foresee insurance schemes to be paid by the traineeship provider or the trainee.

Source: Traineeship study, p127

<sup>31</sup> Flash Eurobarometer 378, section 2.1.3, p. 36.

<sup>32</sup> Likewise, the study excludes from this recommendation the so-called "traineeship programmes" for recruitment at higher levels of management.

The impact of a Council Recommendation option will depend on the number of Member States translating it into their national legislation<sup>33</sup>. Nevertheless, the adoption of a Council recommendation may have a small effect even in non-adopting countries; there are at present no generally accepted guidelines on traineeships, so the existence of an EU quality framework might stimulate independent and voluntary adoption by TPs, social partners, public authorities, NGOs.

#### *Impact on supply of traineeship positions*

There are good grounds for believing that the introduction of a QFT in the format envisaged would not impact negatively on the supply of quality traineeships. While the existence of a written contract has obvious benefits for both parties in terms of clarifying duties and responsibilities on both sides, especially in the case of disputes, the overall compliance costs of concluding a Traineeship Agreement are very limited. Setting up the agreement should not require more than a few hours and the work done could largely be recycled for future trainees. Furthermore, the adoption of a QFT would result in the preparation and diffusion of standard Traineeship Agreements which traineeship providers could adopt off-the-shelf.

In addition, in France, the introduction of a mandatory written agreement in 2006 has not had any negative impact on the number of traineeships, which increased from 600,000 to 1.6 million in 2012. Finally, the SME survey run by the European Commission in March-June 2013 shows that out of 914 SMEs EU-wide only 5% would consider it difficult to provide a written traineeship agreement – in spite of the fact that currently only 72% of the SMEs do this as a usual practice<sup>34</sup>.

As for the content of the Agreement, in the same SME survey only 7% responded that ensuring mentoring and evaluation would cause them difficulty (while 61% already now provide a mentor). Only 10.7% indicate that it would be difficult for them to clearly define learning objectives.

Assuming that larger TPs have even less difficulties, we conclude that the impact on costs for quality traineeship is negligible and therefore will not lead to any reduction in their supply.

As for substandard-quality traineeships, we should distinguish between ‘intentional’ and ‘non-intentional’ low quality. If low quality is due to lack of attention on the part of the traineeship provider, and not to a conscious cost minimisation strategy, this option, by providing a guideline for quality that is easy to follow, should lead to some improvement as TPs adapt their work practices. If the low quality is due to a conscious strategy, enforcement difficulties are likely to mean only a modest decrease, in line with international experience, depending on how effective is inspection is by Member States authorities<sup>35</sup>.

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<sup>33</sup> Given that it is difficult to assess how many will, the assessment summarised in the Impact Tables in the Annex 12.13 is to be understood as the effect in each adopting Member State.

<sup>34</sup> This suggests that a large share of traineeships is 'unintentionally' substandard: one in four SMEs do not provide a written agreement just because they are unaware of the mutual benefits that such a contract can offer.

<sup>35</sup> One might conjecture that after adoption of a QFT, Member States authorities might step up inspection. This however appears highly speculative and is hardly in line with US experience.

On the basis of the SME test results, we might tentatively quantify ‘unintentional substandard’ at between 20% and 35% of all substandard traineeships<sup>36</sup>. Overall, therefore, this option would lead to a limited decrease in substandard traineeships, the majority of which would be transformed into good quality ones.

Another risk to be discussed is the fact that the obligation of a written traineeship agreement leads especially smaller firms to fear litigation. In this respect, while in the Commission proposal the QFT would be compulsory and would have legal value, the risk for litigation appears negligible on account of the substantial disincentives for trainees to bring legal action. Even in the US, with its stringent legislation and much more favourable incentives for litigation given minimum wage rules and the possibility of punitive damages, litigation is very rare (see Curiale, Langille, and Todilo).

#### *Impact on demand of traineeship positions*

Demand for substandard traineeship positions might drop slightly as trainees become aware of the requirements for TPs and screen them for adoption of the QFT. The impact on intentional substandard providers is however likely to be limited, as they might adopt the QFT purely *pro forma*.

Demand for quality traineeship positions seems likely to remain broadly unchanged; there might be a positive effect from quality suppliers advertising better their traineeship by declaring compliance with QFT, but also a negative substitution effect from substandard suppliers adopting the QFT pro-forma. A positive effect is likely with regard to transnational traineeships however, as clarity over the conditions of work is more important when mobility is concerned.

#### *Overall assessment of effectiveness*

In assessing the impacts of this policy option, as well as of the following options 3b and 4, it is important to stay clear of the fallacy that there is **a fixed total number** of traineeships, and that any measure to reduce the incidence of substandard traineeships implies that some young people will lose an opportunity, even if not optimal, and will be reduced to staying at home (*crowding out hypothesis*). This idea is wrong on three counts:

First of all, the provision of reasonable and proportionate guidelines may well be welcomed by businesses as a clarification, as highlighted by the responses in the SME test and by the Microsoft case. Given that some substandard traineeships are unintentional, as suggested by the SME test results, we expect that some substandard traineeships will be transformed into quality ones.

Secondly, it is a standard prediction of economic theory that clarification of market rules, greater market transparency, and a reduction of asymmetric information, can lead to an increase in both supply and demand as the market becomes more efficient and capable of pricing quality (Akerlof effect). In France, notably, traineeships increased after regulation was first introduced in 2006.

Thirdly, the provisions of the QFT do not aim at prohibiting the provision of any type of traineeship or imposing heavy standards, but simply at allowing the trainee to make an *informed choice* between available possibilities.

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<sup>36</sup> Cfr. the 23% share of SMEs that do not provide a written contract, although this would not cause them any problem, and the 32% of SMEs that currently don't provide a mentor but would be ready to do so.

This option mainly addresses the problem of unintentional provision of substandard traineeships. While in theory its binding nature would also make it relevant for addressing intentional provision, in practice enforcement difficulties render it ineffective in that regard.

Theoretically, some employers might refrain in the future from providing traineeship places, because they realise that the traineeship places they offered so far were not of good quality, or because they consider that certain elements of the quality framework (e.g. specifying learning content, or ensuring effective mentorship) would result in too high costs. Given the limited implementation costs, however, this risk appears more theoretical than real, and may well be offset by an increase of good quality traineeships (as clear conditions on what is expected in terms of traineeship quality may encourage employers to improve their offer, as noted in the Traineeship Study). A good example of this is represented by the joint Microsoft/European Youth Forum initiative on traineeships<sup>37</sup>.

An important question remains the effectiveness of this option concerning *intentional* substandard traineeships, given that enforcement problems are to be expected based on international experience. Furthermore, regulatory solutions are likely to work least in Member States with weaker enforcement mechanisms, which may be exactly those where there is most need.

It can reasonably be expected that the incidence of bad working conditions is modestly reduced by this option, as it raises awareness of rights by trainees, even if enforcement can be difficult. With regard to insufficient learning content, it is likely that as this option should stimulate the spread of basic good practices, its impact is positive. Most likely is however a positive impact on intra-EU trainee mobility: depending on the take-up of the QFT by Member States, this option should address the extreme variety of regulation (including a complete absence of regulation in some Member States) across the EU, reducing information barriers to mobility.

Overall, a reasonable improvement on the quality and transparency of traineeships could be expected in the medium term from a quality framework endorsed at European and national level. The QFT is a proportionate EU level action<sup>38</sup> that can contribute to achieving the intended objectives of increasing the share of quality traineeships, discouraging abusive practices while keeping the compliance costs for TPs limited and facilitating access to transnational traineeships through enhanced information.

Further details are provided in table 11 in Annex 12.13.

Since the content of this option was presented to stakeholders within the public consultation of April-July 2012, information is available about how stakeholders viewed the proposed quality elements.

As regards Member States, only a few have officially replied to the consultation. Most of them (FR, AT, CZ, CY, LV) could accept the proposed quality elements (AT suggested not limiting duration to 6 months); while NL did not reject them either, it expressed doubts in more general terms about the need for the initiative. All Member States agreed that a Council Recommendation (LV: non-binding guidelines) would be the best form for the initiative, while FR could also accept a binding legal instrument. We have to note however that FR would focus the initiative on traineeships during tertiary studies (open market traineeships are banned in France).

Other stakeholders mostly agreed with the proposed quality elements; however businesses and employers' organisations in particular argued that remuneration and social protection issues may not fall under EU competence and in any case small businesses would have problems applying them. It has to be noted however

<sup>37</sup> See <http://www.youthforum.org/news/pressroom/#>

<sup>38</sup> The public consultation confirmed that there is a wide agreement regarding the proposed quality elements, even on the side of employers as long as there is no compulsory pay and social protection coverage.



that the 2012 public consultation document 'recommended' remuneration for post-graduate trainees and it also asked to ensure social protection coverage for unpaid traineeships. This QFT basic option only asks for clarifying these aspects in the contract, but they are not any more compulsory.

#### 9.4.2. *Option 3b – Council Recommendation on a Quality Framework for Traineeships with enhanced transparency*

##### *Description*

This option would add to the QFT as spelled out above in option 3a some transparency requirements. Specifically, notices advertising open traineeships positions – published in whatever form or media – would have to indicate whether the traineeship is paid or not and, if the traineeship is paid, the level of remuneration or compensation (or cost reimbursement).

Furthermore, TPs offering **unpaid** traineeships would have to disclose, at the moment of the conclusion of the Traineeship Agreement, information about their recruitment policies; specifically, they would have to disclose the share of trainees that were offered a paid work contract after the end of their traineeship<sup>39</sup>. Furthermore, and particularly in those Member States where unpaid traineeships are not allowed, authorities may want to consider applying these provisions to the lowest-paid traineeships, depending on the extent of the quality problems existing in that segment. This information would not *replace* the information on the learning content and working conditions, which will also be given in the Traineeship Agreement, but would complement it giving the trainee candidates a better information basis, helping them to make a better choice.

##### *Rationale*

This option aims at improving the functioning of the traineeships market through improving its transparency. By coupling a QFT, which is effective at guiding traineeship providers towards the adoption of best practices, with transparency elements designed to allow the trainee candidate to better assess the quality of the proposed traineeship before it starts, it addresses both unintentional and intentional provision of substandard traineeships.

Tps at times lure prospective candidates with attractive-sounding traineeships, but avoid revealing information about the financial conditions until late in the selection, when candidates have already made a substantial effort to get selected and are in a weak psychological position to negotiate or refuse a low-paying proposition. This is far from being an unusual practice: the Eurobarometer survey found that this was actually the most frequent case (46% vs 42% of cases in which compensation was clearly indicated – see answers to Question 11.6). Greater transparency will limit the scope for this behaviour.

The answers to Question 11.6 indicate clearly that this problem is not limited to specific countries: in only two Member States the share of notices not including clear financial information is lower than 20%, and lack of transparency is acute even in countries with a relatively favourable labour market situation (e.g. in Germany 57% of respondents reported unclear information, more than double those who felt clearly informed<sup>40</sup>).

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<sup>39</sup> It should be noted that like all other options, this would not apply to traineeships organised by schools, universities and other learning institutions prior to graduation.

<sup>40</sup> The fact that announcement of remuneration in the vacancy notice is not required for regular jobs is not a valid argument against this measure. In a regular job, remuneration is a major determinant of the transaction and both parties generally have incentives to foster a transparent long-term relationship; this is absent in low-

The rationale for disclosing how many trainees were hired after the traineeship stems from the recognition that the economics of traineeships is different from regular employment. Given that most traineeships are unpaid or paid very little, the financial incentive is mainly constituted by the better *prospect or chance* of being hired in the future (most likely by the same employer). However, as mentioned earlier, the trainee is almost never in a position to assess the real chances of being hired, while the employer has an incentive to present hiring chances as higher than they really are.

The result is an equilibrium with lack of transparency. While trainees may know that chances of being hired are low *on average* (e.g. in Italy Chamber of Commerce data show the hiring rate is about 12%, while, for the EU as a whole, the Eurobarometer indicates that 27% of trainees received a job offer after the end of their traineeship), this information has little operational value for them because what counts is hiring chances in their specific TP. This asymmetry of information is the main avenue exploited by some TPs and constitutes the reason why substandard traineeships may continue to be offered almost indefinitely. Thus, this measure targets directly the main structural cause of low quality. The usefulness of information on hiring policies followed by specific organisations is illustrated by an example given by a trainee (see Box 6)

**Box 5 The benefits of transparency on hiring policies**

After my studies I was looking for a traineeship that would help me finding a job afterwards. At a certain point I heard about an organisation that I had not been particularly interested about it at the beginning of my search. Through acquaintances that had worked there, I found out that this organisation had in the past hired former trainees. That encouraged me and I applied for this traineeship, something that maybe I would not have done otherwise because I was thinking of other organisations. I indeed got a job offer at the end of my traineeship. I think it’s really useful for a trainee to know what are the hiring policies of the organisation”

- Interview to M. G., former trainee, 2013

To keep compliance costs low the information to be disclosed by TPs should not go beyond the minimum (Table 6 shows the format this could take). The information should refer only to hiring in the same location as that where the traineeship took place, because this is the location that interests the trainee most and also because it would be complicated for a TP with offices in several locations to keep track.

**Table 6 Information about hiring policy (data given as examples)**

Year	2010	2011	2012
A - Number of trainees	9	8	10
B - Permanent employment contracts signed with former trainees	2	0	0
C - Number of former trainees doing remunerated work (temporary or freelance) for the organisation	1	2	1

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quality traineeships where the employer simply exploits the lack of transparency to extract a short-term benefit. Any analogy with job advertisements is therefore misleading.

D Percent share: (B+C)/A (%)	33%	25%	10%
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### *Impact on supply of traineeship positions*

In an era in which most announcements are made on the internet, compliance costs related to the vacancy notice are negligible. This is confirmed by the SME test, which shows that 89% of SMEs have no problem with indicating the amount of pay/compensation in the traineeship advertisement. Hence, there should be no impact on the supply of quality traineeships from the vacancy notice requirement.

The requirement on transparency of hiring policies would not entail any significant additional costs for TPs, apart from monitoring the number of former trainees recruited - this will be, incidentally, even lighter for SMEs owing to their limited number of employees<sup>41</sup>.

However, organisations may reason that a low D coefficient in the table above could make it more difficult for them to attract candidates for traineeship positions in the future. This will create an incentive to either hire more former trainees, or to switch from unpaid to paid traineeships, given that the transparency requirement applies only to unpaid ones<sup>42</sup>. In either case there will be an incentive to upgrade the quality of traineeships. The incentives will be stronger for organisations with low hiring ratios, i.e. those that, on average, are characterized by a lower quality offer. This appears appropriate and desirable.

The measure will tend to discourage the supply of substandard traineeship by making it less easy to attract candidates. In the case of intentional substandard traineeships, it will be more difficult to attract candidates (and retain) candidates, because the low or nil hiring ratio will be visible. Non-paid traineeships from organisations with low hiring ratios (i.e. the typical intentional substandard offers) will be penalised on the market, unless they can demonstrate a strong learning content. This will encourage switching away substandard traineeships, either by strengthening the learning content, or by showing higher employment ratios, or by offering paid instead of unpaid traineeships.

As for unintentional substandard traineeships, the positive impact will be realised mainly through the provision of guidance in the form of a QFT, as in the previous option. This does not change.

Greater transparency on conditions should also make it easier for SMEs to attract trainees by utilising financial incentives. Given the current lack of transparency on conditions, trainees often tend to orient their choice mainly on the basis of how well-known the TP is. Less well known TPs are thus put at a disadvantage regardless of the quality of their offer. Transparency on the conditions of the offer by better-known organisations can therefore allow smaller entities to compete better on the market for traineeships. This is even more true for transparency on hiring policies: less well known or smaller organisations can put forward a good hiring record as a means to attract high profile candidates that would otherwise apply

<sup>41</sup> Member States should consider exempting public bodies from the transparency in hiring requirement, given that their hiring policies are regulated by law.

<sup>42</sup> In theory, an organisation with low hiring ratios could also choose to no longer propose unpaid traineeships at all, to avoid the disclosure requirement. This would result in a decline in the supply of the traineeships offered. However, given the low remuneration levels for traineeships, this outcome appears unlikely for high-quality traineeships, given the statistically strong link between quality, hiring intentions and remuneration.



only at big organisations. This will generate a market reward for serious traineeship and hiring policies.

It should also be noted that providing a modest level of remuneration/compensation, as is usually the case for traineeships<sup>43</sup>, would generally not represent a significant cost factor for the organisation but does make a difference for the livelihood of the trainee

#### *Impact on demand for traineeship positions*

Greater market transparency would lead to higher demand. Trainees would be able to select and screen more easily and will not waste time applying for traineeships that they cannot afford. Greater transparency will encourage more trust in traineeships in general. The effect on demand should be particularly positive for quality traineeships, while applications for substandard traineeships, which can be expected to be concentrated in the least transparent category, would fall.

#### *Overall assessment*

The measure is simple, has practically zero compliance costs for legitimate traineeships and discourages unscrupulous practices. Acceptability for publication of remuneration conditions in the vacancy notice should be high, given close to 90% acceptance in 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 – depending on the take-up rate of the Council Recommendations – has a great potential to contribute to achieving the intended objectives of increasing the share of quality traineeships, discouraging abusive practices while keeping the compliance costs for TPs limited and facilitating access to transnational traineeships through enhanced information.

This option is likely to have tangible impact, and thus can be judged **effective**. It is **efficient** as it entails practically zero compliance costs for legitimate traineeships and discourages unscrupulous practices. However uneven implementation could cause **coherence** issues and may not be consistent with the mobility objective.

Further details are provided in table 12 in Annex 12.13.

Stakeholder position : transparency

*"The European Youth Forum reiterates its full support of all the claims made in the European Quality Charter on Internships and Apprenticeships regarding the rights of interns and apprentices. Alongside these claims, the European Youth Forum supports transparency as key to providing trainees with the ability to make informed choices about their future. Together with a legally binding Traineeship Agreement, transparency on hiring policy and traineeship conditions will put trainees in a better position to assess whether they are entering into a valuable learning opportunity or a dead-end traineeship with no learning value and no hiring prospects.*

*The Youth Forum also underlines that transparency will improve the functioning of the market; by reducing the scope for poor quality traineeships, it will reward providers of quality offers, giving young people greater trust in traineeships, and in turn giving traineeship providers better-skilled and more motivated trainees."*

European Youth Forum

## **9.5. Option 4 – Directive on a Quality Framework for Traineeships**

### *Assessment of impacts*

<sup>43</sup> We do not possess information about the average compensation of trainees for the EU as a whole. The guidelines for traineeships in Italy presented at the end of 2012 prescribe a monthly remuneration of 400 euros (before tax).

The choice of a Directive as a legal instrument implies that Member States, once it is approved and enters into force, must transpose it into their legal system because it is, unlike a Recommendation, a binding instrument. This has important implications in terms of proportionality and the subsidiarity issue. The situation is not clear-cut, as on the one hand, many of the problems in traineeships could conceivably be handled at national level, while on the other the core solutions put forward to tackle these problems tend to be largely the same, irrespective of the labour market situation and the institutional specificities. Furthermore, the national level has shown certain inertia in handling the issue, and the mobility dimension of the problem is clearly much better addressed by a QFT which is approved without variation and at the same time across the Union.

Given that the content of option 4 is the same as for option 3b, the impacts would be the same, except that Option 4 would have a significantly stronger impact on mobility, because it would eliminate at source the barriers generated by the diversity of national regulations.

#### *Assessment of effectiveness*

From a purely analytical perspective, it does not seem the case that the greater leeway granted by a Recommendation to tailor solutions to national specificities is of great significance in this case. This is because most of the elements of the QFT result in modest implementation costs and differentiation show few convincing advantages compared to the simpler implementability of a unitary framework. An indirect confirmation of this may be seen in the example of the recent (end-2012) Italian guidelines on traineeships: although regions had ample possibility to tailor the regulatory part of the guidelines, and despite the large institutional and structural differences among Italian regions, in practice regions chose to differentiate only the minimum levels of compensation introduced by the guidelines.

Overall, the advantages and disadvantages of a Directive are therefore complementary to those for a Council Recommendation, i.e. greater suitability to reach the uniformity needed for mobility vs. the greater adherence to the subsidiarity and proportionality principle. Another important consideration involves the longer timeframe necessary to approve a directive. This is a major disadvantage, since in a crisis context an urgent solution is sought not only by the European Commission but also by most stakeholders. Furthermore, in the case of a Commission proposal for a Directive there is a higher risk that the initiative fails due to reluctance of certain Member States to adopt the Directive in the Council.

In this context, it is worth noting that Council Directive 91/533/EEC of 14 October 1991 already imposes on employers' the obligation to inform employees of the conditions applicable to the contract or employment relationship<sup>44</sup>. The Directive specifies that the information<sup>45</sup> should be given to the employee in the form of a written contract or a letter of engagement or one or more written documents not later than two months after the commencement of employment (art. 3). However, this Directive is applicable only to 'paid

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<sup>44</sup> The Directive cites as grounds for justification the emergence of new types of employment relationships, the diversity of Member States legislation on information requirements; the need, stipulated in Art 117 of the Treaty, to promote improved working conditions and an improved standard of living for workers (not only for employees), so as to make possible their harmonization; and the requirement by point 9 of the Community Charter of Fundamental Social Rights for workers, which states that it is necessary to establish at Community level the general requirement that every employee must be provided with a document containing information on the essential elements of his contract or employment relationship.

<sup>45</sup> Such information does not explicitly include information regarding mentors, monitoring, social security etc (Art 2).

employees having a contract or employment relationship' defined by national law (art. 1)<sup>46</sup>. It seems appropriate to consider extending the requirements of this directive to cover trainees<sup>47</sup>. This option could be considered in the context of the envisaged review of this Directive under the Refit process.

Summing up, the choice between a Council Recommendation and a Directive depends on an assessment of the relative importance of devolving decisions at the lowest possible level, the need to utilise 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 in having wide, simultaneous adoption across the EU<sup>48</sup>. On balance there is no need to aim at a full harmonisation of the different national traineeship legislations and a Council Recommendation is the better one option without excluding recourse to a Directive later on if the Council Recommendation proves insufficient in mobilising Member State action. Progress on traineeships can be monitored during 2014, also within the European Semester.

#### *Implementation and enforcement*

As in the case of option 3, implementation and enforcement would be up to Member States. The Commission however would be more vigilant as to the parallel implementation of the Directive in all Member States.

Further details are provided in table 13 in Annex 12.13.

## **9.6. Summary and comparison of options**

The expected impacts of the options are summarised and compared in the table below, indicating their relative effectiveness in addressing the main problems identified and the suitability of a European solution.

Table 7 Summary and comparison of impacts of options

Problem addressed	Base line	Option 1 Information Website	Option 2 Voluntary Quality Label	Option 3 Council Recommendation		Option 4 Directive
				3a. QFT 'basic'	3b. QFT + transparency	4b. QFT + transparency
<b>insufficient learning content</b>	No change	0/(+)	0/(+) uptake likely to be limited	+	++	+++ Same as option 3b but stronger impacts.

<sup>46</sup> Therefore, this Directive is not applicable to trainees in the Member States which do not consider them as paid employees having a contract or employment relationship. The Directive also explicitly excludes from its scope employees whose contract lasts less than one month, working less than eight hours a week, or having a casual and specific nature that results in its non-application be justified by objective considerations.

<sup>47</sup> Several elements need to be taken into account in this regard including the lack of transparency and extent of abuse experienced by trainees against the background of the reasons having led to the adoption of Directive 91/533/EEC (see footnote 35 above). It is worth noting that the Eurobarometer results indicate that 71% of traineeships last more than one month.

<sup>48</sup> The public consultation indicated that a Directive is likely to enjoy less acceptance – at least from the part of certain employer organisations and even some Member States – than a Council Recommendation.

				learning content, mentoring)	productivity (not a free resource any more).	
<b>Unsatisfactory working conditions</b>		(+)	0 uptake zero in substandard traineeships	(+) Will raise awareness of rights but enforcement difficulties make QFT not very suitable to tackle problem	+ / (-) Creates incentive to gear traineeships to hiring, thus creating long-term orientation. On the other hand might result in greater pressure on trainees to be productive.	+ / - Same as option 3b but stronger impacts.
<b>Lack of or low compensation</b>		0	0 / (+) probably limited uptake/ Charter may not cover compensation.	0 No provisions on compensation possible at EU level owing to legal basis issues	+++ Expected higher hiring rates also represent economic payoff for trainees.	+++ Expected higher hiring rates also represent economic payoff for trainees.
<b>Low intra-EU trainee mobility</b>		++	(+) Effective on participating companies but impact limited given expected low uptake. Furthermore there might be differences among various charters.	++ Will address extreme variety of regulation (including no regulation), reducing information barriers to mobility	++ Greater awareness of pay levels and of chances in finding employment abroad and clarity on treatment and rights should stimulate applications by foreign candidates.	++ Greater awareness of pay levels and of chances in finding employment abroad and clarity on treatment and rights should stimulate applications by foreign candidates.
<b>Combination of possibilities</b>		<b>Could be combined with any option.</b>	<b>Could be combined with option 1.</b>	<b>Could be combined with option 1.</b>	<b>Could be combined with option 1.</b>	<b>Could be combined with option 1.</b>

0 : zero or negligible impact

(+) / (-) : slight positive (negative) but uncertain impact

+ / - : possible positive/ negative impact

++ / -- : likely positive/ negative impact

+++ / --- : very likely positive/ negative impact

### *Other impacts*

None of the options entail any environmental impact. As for social impacts, the analysis in section 0 indicates that traineeships may substitute for unskilled or entry-level positions. Furthermore, as discussed in section 4.2, the spread of unpaid traineeships entails negative social impacts in terms of equity of access. These impacts cannot be quantified.

## **10. MONITORING AND EVALUATION**

The biggest challenge to the monitoring of the impact of the envisaged options on the development of the traineeships market is the lack of appropriate statistics in the area of traineeships. Steps have already been taken by DG EMPL to address this issue by introducing coverage of traineeships in the Ad Hoc Module on young people on the labour market that will be included in the Eurostat Labour Force Survey (LFS). This module is foreseen for 2016.

However, it will not shed light on the quality of traineeships. Hence, a follow-up Eurobarometer survey is also planned for 2016 to monitor progress on quality after new rules on traineeships will be adopted. The format of the 2013 Eurobarometer survey on traineeships is a good basis for a future monitoring survey as, unlike the LFS, it provides detailed information on traineeship quality. The two exercises are planned to be launched at approximately the same date to allow ready comparability.

Analysing the impact of traineeships and traineeships quality on employment outcomes would require a longitudinal survey. The feasibility of such a survey should be discussed with Eurostat when the inclusion in the LFS is more advanced.

Commission services will also have to monitor adoption of new regulations in the Member States following approval of a Council Recommendation or of a Directive.

Furthermore, as previously described, 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.

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## 12. ANNEXES

### 12.1. Examples of Member States' Initiatives to Enhance Trainee Protection in the Open Market

- Austria: in an effort to help the so-called 'internship generation' secure regular employment instead of successive traineeships, the 2010 Aktion + 6000 Programme provides wage subsidies to employers if, upon completion of the traineeship, they keep on the trainees.
- France: in an attempt to address the issue of successive traineeships, the 2011 Loi Cherpion stipulates that, inter alia, companies should wait for a period corresponding to 1/3 of the length of the previous traineeship before taking on a new trainee in the same role. This law strengthens the legal framework of traineeships and reinforces the trainee's rights, terms and conditions, including trainee compensation
- Greece: in order to prevent employers from replacing regular staff with trainees, the 2010 Work Experience Programme for New Labour Market Entrants stipulates that companies which have reduced their staff in the last six months are not eligible to take part. In addition, an employer cannot renew the traineeship contract with the same trainee.
- UK: a number of voluntary charters (CIPD's Internship Charter) and codes of best practice (Code of Best Practice for Quality Internships) are promoted in an effort to improve the quality of traineeships in the open market.

Source: Traineeship study, European Commission (2012a), p. 65

## **12.2. Differences between Traineeships and Apprenticeships**

Although the distinction between the two can be fuzzy in some cases, traineeships and apprenticeships differ in several respects:

### **1. Apprenticeships are long-term and lead to formal academic qualification**

An apprenticeship is a systematic, long-term training alternating periods at the workplace and in an educational institution or training centre. The characteristics of the apprenticeship (e.g. occupation, duration, skills to be acquired, wage or allowance) are defined in a training contract or formal agreement between the apprentice and the employer directly or via the education institution. Apprenticeships are normally part of formal education and training at upper secondary level (ISCED 3), the duration of the training is on average 3 years, and a successful completion leads to a nationally recognised qualification in a specific occupation. However, it should be noted that most initial vocational training programmes include some optional or compulsory practical training either in school or in a company and the borders between apprenticeships and school-based schemes which include traineeship periods at a workplace are not clear-cut.

### **2. Traineeships consist of work practice with a training component**

Traineeships on the other hand can be described as work practice including a training component. They allow to document practical work experience as part of the individual CV and/or as requested in educational curricula or to gain work practice for the purpose of facilitating the transition from education and training to the labour market. They are predominantly short- to middle-term (a few weeks up to 6 months, in certain cases 1 year).

Traineeships within education can be an optional or mandatory part of the curriculum or of the graduation procedure. Traineeships can be part of labour market programmes aiming at connecting or reintegrating people with the labour market.

### **3. Traineeships are lightly regulated**

In most Member States, traineeships and related rights and conditions are only regulated in a fairly general way at best and may not be regulated at all, in contrast to apprenticeships which are normally tightly regulated. Furthermore, in a majority of Member States, traineeship contracts are explicitly excluded from the scope of employment contracts.

For greater details on the distinction between traineeships and apprenticeships, please see the Traineeship Study (European Commission (2012a))

### 12.3. Regulatory Framework

	AT	BE	BG	CY	CZ	DE	DK	EE	EL	ES	FI	FR	HU	IE	IT	LT	LU	LV	MT	NL	PL	PT	RO	SE	SI	SK	UK
Whether there is a legal definition of traineeships/trainees	✓	✓	✓	x	✓	✓	✓	✓	✓	✓	✓	✓	✓	x	✓	x	x	x	✓	✓	✓	?	✓	✓	✓	✓	x
Whether there is a specific regulation on traineeships	x	x	x	x	x	x	x	✓	x	✓	✓	✓	✓	x	✓	x	x	x	x	x	x	✓	x	x	✓	✓	x
Whether there is a specific target group of regulations	x	✓	x	x	✓	✓	x	?	✓	✓	✓	✓	x	?	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	x	✓	x
Whether regulation cover specific areas/professions	✓	?	x	✓	✓	✓	?	?	✓	✓	✓	?	x	x	?	?	?	?	?	✓	✓	?	✓	✓	✓	x	✓
Whether there is a concept generally accepted or common understanding of a national definition of traineeships/trainees	✓	x	✓	x	✓	✓	x	x	✓	✓	✓	x	✓	✓	x	x	✓	x	✓	✓	✓	x	✓	✓	x	✓	✓
Whether there are legal provisions about length/duration of traineeships	x	✓	✓	x	x	✓	x	✓	✓	✓	✓	✓	✓	?	✓	?	✓	x	✓	x	?	✓	✓	x	✓	✓	✓

	AT	BE	BG	CY	CZ	DE	DK	EE	EL	ES	FI	FR	HU	IE	IT	LT	LU	LV	MT	NL	PL	PT	RO	SE	SI	SK	UK
Whether there are legal provisions of remuneration for traineeships	x	?	x	x	x	?	x	?	✓	✓	x	✓	✓	✓	x	✓	x	x	✓	x	?	✓	✓	✓	✓	✓	x
Whether there are formal obligations for parties involved (e.g. trainees, employers, educational institutes)	?	✓	✓	?	x	✓	x	?	✓	✓	?	✓	✓	✓	✓	?	✓	✓	?	✓	✓	?	✓	✓	✓	✓	✓
Whether there are legal/administrative barriers for traineeships undertaken by foreign EU students	?	✓	?	?	?	✓	x	?	✓	✓	?	✓	?	✓	x	?	✓	✓	x	✓	✓	?	✓	x	x	?	?

Key: (✓) Yes (X) No (?) Unavailable/Unclear

Source: Traineeship study, European Commission (2012a)

#### 12.4. Main concerns identified by the Traineeship study

***Insufficient learning content of the traineeship is one of the problems that may weaken the traineeship's potential to increase the employability of a young person.*** Learning content is more likely to be formally defined where an educational institution is involved. Traineeships involving just the trainee and the employer more often lack content definition. This does not necessarily mean that these placements are entirely devoid of structure and content. For example, in the UK many employers voluntarily provided well-structured traineeships with pre-defined content. It is noteworthy however that even in Member States where regulation exists to define the content of traineeships (e.g. AT, LU), there are concerns that employers do not always abide by these rules.

Another worrisome point in relation to traineeships was found to be the lack of proper *social protection coverage* (most often only health, and in some cases occupational risk/accident insurance is being offered to the trainee). Traineeships which form part of government sponsored programmes increasingly oblige employers to pay the trainees' social security contributions, either in full or in part through subsidies (e.g. in CY, EL, PL).

The *lack of compensation or low pay* and *the prospect of exploitation* are general concerns mainly in the case of traineeships in the open market and mandatory professional training schemes. This is one of the most common theme and starkest message emerging in the study as well as in public debates, available literature, and information provided by trainees. The risk of substituting regular employment by traineeships is greater in Member States with high unemployment and/or unfavourable labour market conditions for young people (e.g. EL, ES, IT, PT). However, using traineeships as free labour is a growing phenomenon also in other countries, where young people might have to do several traineeships before they find a proper job. Whether traineeships should be paid or not is a contentious issue in many countries. *Employers' organisations* often argue that trainees gain work-related experience which will improve their employability, while taking on board a trainee can be time-consuming and resource intensive for the traineeship provider.

On the other hand, trainees who are not or insufficiently compensated have to rely on other sources of financial support, including own and/or family resources. This, in turn, raises concerns about *equity of access*, since those from less privileged backgrounds may not be able to draw on such resources in order to undertake traineeships to gain work-related experience and enhance their employability. Trainees are reported to be in many cases asked to carry out tasks usually performed by regular, fully-paid staff for which they receive no or low compensation. The issue of no or low trainee compensation (associated with poor trainee-related terms and conditions such as lack of social security coverage) is critical because a significant segment of young people may have to undertake a series of traineeships before securing stable employment. This can, in turn, seriously impede their ability to become financially self-sufficient and lead an independent and autonomous life. Further, there are indications of a gender 'pay gap' in traineeships with a larger proportion of women in unpaid or low paid placements.

Finally, low quality seems to be more common where there is a lack of monitoring and clear traineeship linked objectives.

Source: Traineeship study, European Commission (2012a)



## **12.5. Quality of traineeships and labour market outcomes: an econometric analysis of the data of the Eurobarometer survey**

In April and May 2013, a Flash Eurobarometer Survey of young people aged between 18 and 35 years on "The Traineeship Experience" (EB 378) was carried out for the European Commission (DG EMPM) in the 28 EU countries. The objective was to learn more about various quality aspects of traineeships in the EU. The survey delivered 13.400 valid responses of which 5.500 answered they had experience with at least one traineeship.

Using EB 378, this annex shows evidence on how important different quality aspects are for labour market outcome. A logit regression is carried out, with the "labour market outcome" as dependent variable and a number of specific quality-relevant questions as explanatory variables (together with socio-demographic controls). Of course, only those 5.500 responses were included which have some kind of experience with traineeships.

### **1. Quality of training and the general labour market outcome**

As dependent variable we chose D5 (i.e., the 'Y' in the estimation):

"As far as your current occupation is concerned, would you say you are self-employed, an employee, a manual worker or would you say that you are without a professional activity? Does it mean that you are.."

We transfer D5 into a dichotomic variable which is classified "1" if people state they are "Seeking a job" and "0" otherwise, assuming a detrimental labour market outcome if people were currently unemployed. We consider only non-students (which reduces the sample size further down to 4.300).

The (partly transformed) independent variables are the following (the X-variables):

Q10\_1: During this traineeship, you learnt things that are useful professionally? Classes: Total Agree/ total disagree

Q10\_2: This traineeship was or will be helpful for you to find a regular job? Classes: Total Agree/ total disagree

Q10\_3: Apart from your pay, your working conditions were equivalent to those of regular employees? Classes: Total Agree/ total disagree

Q10\_4: During this traineeship, you could turn to a mentor who helped you and explained how to do the work? Classes: Total Agree/ total disagree

Q11\_1: The last traineeship took place, at least partly, in another EU country. Classes: Don't know / No / Yes

Q11\_2: You signed a written agreement or contract with the organisation or company. Classes: Don't know / No / Yes

Q11\_3: In the event of illness or accident, you would have been covered by insurance. . Classes: Don't know / No / Yes

Q11\_4: At the end of your traineeship, the organisation or company offered you an employment contract. . Classes: Don't know / No / Yes

Q11\_5: At the end of your traineeship, the organisation or company offered to renew or extend the traineeship. Classes: Don't know / No / Yes

Q11\_6: The advertisement made it clear how much the traineeship was paid. Classes: Don't know / No / Yes

Q11\_7: At the end of your traineeship the organisation or company gave you a certificate or a letter of reference describing what you had done. Classes: Don't know / No / Yes

Q11\_8: You received financial compensation. Classes: Don't know / No / Yes

All questions refer to the respective **last** traineeship. On top, the following socio-demographic control variables are included in the regression:

D2: Gender? Classes: Male / Female

D1R1: Age group? Classes: Age 18-19 / Age 20-24 / Age 25-29 / Age 30-35

D3A2: You have university degree? Classes: Don't know / No / Yes

D13: Degree of urbanity? Classes: Rural / Small or medium town / Large city

Table 1 shows the estimated coefficient following a multinomial logistic regression. As all variables are non-continuous, i.e., classified, a multinomial logistic regression is carried out with all independent variables' class values being referred to a reference class which is the respective last one for each variable as shown in Table 1.

Column 4 shows the parameter estimation for the logit

$$\ln \left( \frac{p(Y)}{1-p(Y)} \right) = \alpha + \beta * X,$$

where both Y and X are categorical variables, p(Y) is the probability that Y shows a bad labour market outcome (i.e., Y=1: searching a job). That is, looking at a certain explanatory variable X, a parameter  $\beta$  equal to zero means that the probability that there will be a bad labour market outcome (Y=1) is the same for a certain value  $X=X_i$  as for the reference class  $X=X_{ref}$ . In that case, the odds-ratio, i.e., the relative probability  $p(y)/[1-p(y)]$  for  $X=X_i$  ,is equal to 1.

Column 5 shows the coefficient's odds ratio. An odds ratio above 1 (i.e., a positive coefficient) means that the probability of a bad labour market outcome will be higher for the respective category  $X_i$ , relative to the reference category  $X_{ref}$ . The logarithm stipulates a non-linear (exponential) relation between the odds-ratio and  $\beta$ .

Column 6 shows the significance level for the estimation of  $\beta$ , column 7 gives the upper and the lower bound for  $\beta$  in a 95% confidential interval.

Most estimated coefficients for indicators Q10 and Q11 show the expected sign, some are insignificant, though.

- Looking at core quality variable Q10\_2 (statement: 'the last traineeship was or will be helpful to find a regular job'), it appears that those who agree on the statement have a much lower probability to find themselves in a situation where they have to search a job (Y=1) than those who disagree. In fact, probability to be on the job search for those who think their traineeship was helpful is only some 60% of the probability of those who disagree to such statement. If the confidential interval is defined 95%, the coefficient remains clearly negative, and the parameter estimation itself shows a significance level of practically zero: the likelihood that the coefficient is in fact equal to zero is de facto non-existing.

- Strongly related to the question of whether or not the training helped to find a regular job, and equally as significant, is the issue of perceived usefulness of the training ("learned useful things", Q10\_1). Those who support such strong statement face a risk of currently being unemployed which is 75% higher than the risk of their more optimistic peers. One reason for this finding could be that training measures for unemployed people typically result in new 'things to learn' to the extent the general skills level is low for the respective clientele and/or the nature of those measures is re-training into a new occupation.
- The question of having had an insurance against accidents (Q11\_3) is of such fundamental importance for job quality that it has strong explanatory power for the individual labour market outcome in the long term. The risk of currently being unemployed is more than 60% higher for those who did not have an accident or illness insurance, relative to their counterparts.
- In a way self-evident is the finding that people who were not offered an employment contract after the training (Q11\_4) face a 75% higher risk of currently being on the job search than those who were offered such contract.
- Those who support the statement which confirms that as trainees they 'could turn to a mentor' (Q10\_4) face a lower probability to end up on the job-search later on.
- Likewise, those who confirm they were offered a certificate of reference at the end of the traineeship (Q11\_7) have a significantly lower risk of currently being unemployed.

Table 1: Parameter estimation resulting from a logit regression: Dependent variable: Job search probability

Variable	Classes	Estimation of $\beta$	Odds ratio relative to reference class	Signif. level	95% confidence interval	
					Lower bound	Upper bound
[Q10_1RGPS=1]	agree	.558	1.75	.001	.214	.901
[Q10_1RGPS=2]	"learned things useful"	0a		.	.	.
[Q10_2RGPS=1]	agree	-.484	0.62	.000	-.696	-.273
[Q10_2RGPS=2]	"helpful to find regular job"	0a		.	.	.
[Q10_3RGPS=1]	agree	-.041	0.96	.718	-.265	.183
[Q10_3RGPS=2]	"working conditions equivalent to 'normal employees' "	0a		.	.	.
[Q10_4RGPS=1]	agree	-.285	0.75	.058	-.580	.009
[Q10_4RGPS=2]	"could turn to mentor"	0a		.	.	.
[Q11_1=1.00]	Don't know					
[Q11_1=2.00]	q11_1X - This traineeship took place, at least partly, in another EU country	.201	1.22	.213	-.115	.517
[Q11_1=3.00]	Yes	0a		.	.	.
[Q11_2=1.00]	Don't know					
[Q11_2=2.00]	q11_2X - You signed a written agreement or contract with the organisation or company	.075	1.08	.465	-.126	.276
[Q11_2=3.00]	Yes	0a		.	.	.
[Q11_3=1.00]	Don't know					
[Q11_3=2.00]	q11_3X - In the event of illness or accident, you would have been covered by insurance	.492	1.64	.000	.260	.724
[Q11_3=3.00]	Yes	0a		.	.	.
[Q11_4=1.00]	Don't know					
[Q11_4=2.00]	q11_4X - At the end of your traineeship, the organisation or company offered you an employment contract	.800	2.22	.000	.562	1.037
[Q11_4=3.00]	Yes	0a		.	.	.
[Q11_5=1.00]	Don't know					
[Q11_5=2.00]	q11_5X - At the end of your traineeship, the organisation or company offered to renew or extend the traineeship	-.116	0.89	.335	-.350	.119
[Q11_5=3.00]	Yes	0a		.	.	.
[Q11_6=1.00]	Don't know					
[Q11_6=2.00]	q11_6X - The advertisement made it clear how much the traineeship was paid	-.013	0.99	.896	-.208	.182
[Q11_6=3.00]	Yes	0a		.	.	.
[Q11_7=1.00]	Don't know					
[Q11_7=2.00]	q11_7X - At the end of your traineeship the organisation or company gave you a certificate or a letter of reference describing what you had done	.254	1.29	.008	.065	.443
[Q11_7=3.00]	Yes	0a		.	.	.
[Q11_8=1.00]	Don't know					
[Q11_8=2.00]	q11_8X - You received financial compensation	-.063	0.94	.526	-.260	.133
[Q11_8=3.00]	Yes	0a		.	.	.
[D2=1]	Male	.100	1.11	.287	-.084	.284
[D2=2]	D2 Gender.	0a		.	.	.
[D1R1=1.00]	age 18-19	1.268	3.55	.000	.876	1.660
[D1R1=2.00]	age 20-24	1.111	3.04	.000	.878	1.344
[D1R1=3.00]	age 25-29	.396	1.49	.001	.164	.627
[D1R1=4.00]	d1r1X - Age group	0a		.	.	.
[D3A2=1.00]	Don't know	-.277		.801	-2.425	1.872
[D3A2=2.00]	No	.169	1.18	.086	-.024	.363
[D3A2=3.00]	d3a2X - University degree	0a		.	.	.
[D13=1.00]	Rural	.190	1.21	.107	-.041	.422
[D13=2.00]	Small / medium town	.222	1.25	.049	.001	.444
[D13=3.00]	d13X - Urbanity	0a		.	.	.

Fonction de liaison : Logit.

a. The parameter for the respective reference class is set equal to zero as it is redundant (odds ratio equal to 1).

Source: DG EMPL calculation based on EB 378

On the other hand, other statements of which one may expect some influence on the labour market outcome show insignificant coefficients.

- Not having received a financial compensation during the last traineeship (Q11\_8) is obviously not strongly related to the risk of currently being on job search. Much speaks indeed for numerous traineeships to be used as a shorter "probation period" in the same organisation which after the traineeship offers some kind of employment (see also Q11\_4).

- On the other hand, being offered an *extension* of a traineeship (Q11\_5) is evidently not helping much to improve the individual labour market outcome – a finding which supports the thesis that long time-loops in training will not lead to better labour market results in the long run.

Other questions are undoubtedly decisive for the quality of training but evidently do not have a strong impact on the current labour market status (i.e., only weak significance):

- Having been offered a contract in writing, though particularly important for workers for social security considerations, plays only a minor role in reducing probability to be on the job search (Q11\_2).
- Likewise, having seen an advertisement prior to the training that made clear the conditions (Q11\_6) is not statistically significant ...
- ..as is the question of having similar working conditions as trainee compared to normal employees (Q10\_3).

However, one cannot deduce that those issues fail to influence one's labour market situation as in all these cases the problem of multi-collinearity seems to play a role. That is, the explanatory variables are inter-correlated which can bias the parameter estimation.

*Running a second regression with Q11\_6 (conditions made clear a priori in an advertisement) as dependent variable shows very significance evidence that a more transparent information on the conditions of the traineeship goes hand in hand with receiving financial compensation (Q11\_8), being given a certificate of reference at the end (Q11\_7), having signed a contract in writing (Q11\_2) or facing the same conditions as normally employed people (Q10\_3).*

Looking at socio-demographic characteristics shows no surprises:

Male persons tend to face a higher risk of being on the job-search (D2, insignificant, though).

Age is a highly significant determinant: The younger the person the higher is the risk of being unemployed (D1R1) – a situation which also reflects the unacceptable current level of current youth unemployment in the EU.

People not living in large cities face a higher risk of unemployment compared to their urban peers (D13, significant at 5-11%).

Not having a university degree (D3A2) increases the risk of being on the job-search (significant at 9%).

## 2. Quality of training and perspectives in the same company

A second regression is being done following the same list of independent variables, but this time asking for the *specific* instead of the general labour market outcome, i.e., the trainee's employment perspective in the context of the company in which he/she did the training: The dependent variable here is the statement

Q11\_4: "At the end of your traineeship, the organisation or company offered you an employment contract."

where we set Y=1 in case a person confirms the statement (answers "yes") and Y=0 if the answer is no. Apart from that list of variables remains the same.

Table 2: Parameter estimation resulting from a logit regression: Dependent variable: Probability to get recruited by the same organisation after the training

Variable	Classes	Estimation of $\beta$	Odds ratio relative to reference class	Signif. level	95% confidence	
					Lower bound	Upper bound
[Q10_1RGPS=1] [Q10_1RGPS=2]	agree disagree	.233 0a	1.26	.116	-.058	.524
[Q10_2RGPS=1] [Q10_2RGPS=2]	agree disagree	1.201 0a	3.32	.000	1.004	1.399
[Q10_3RGPS=1] [Q10_3RGPS=2]	agree disagree	.333 0a	1.39	.000	.153	.512
[Q10_4RGPS=1] [Q10_4RGPS=2]	agree disagree	.014 0a	1.01	.912	-.238	.266
[Q11_1=1.00] [Q11_1=2.00] [Q11_1=3.00]	Don't know q11_1X - This traineeship took place, at least partly, in another EU country No Yes	.804 .298 0a	1.35	.007	.083	.514
[Q11_2=1.00] [Q11_2=2.00] [Q11_2=3.00]	Don't know q11_2X - You signed a written agreement or contract with the organisation or company No Yes	-.702 -.692 0a	0.50	.000	-.849	-.535
[Q11_3=1.00] [Q11_3=2.00] [Q11_3=3.00]	Don't know q11_3X - In the event of illness or accident, you would have been covered by insurance No Yes	-.295 -.118 0a	0.89	.223	-.309	.072
[Q11_5=1.00] [Q11_5=2.00] [Q11_5=3.00]	Don't know q11_5X - At the end of your traineeship, the organisation or company offered to renew or extend the traineeship No Yes	-.493 -1.125 0a	0.32	.000	-1.271	-.978
[Q11_6=1.00] [Q11_6=2.00] [Q11_6=3.00]	Don't know q11_6X - The advertisement made it clear how much the traineeship was paid No Yes	-.069 -.053 0a	0.95	.549 .456	-.294 -.193	.156 .087
[Q11_7=1.00] [Q11_7=2.00] [Q11_7=3.00]	Don't know q11_7X - At the end of your traineeship the organisation or company gave you a certificate or a letter of reference describing what you had done No Yes	.131 .148 0a	1.16	.609 .038	-.370 .008	.631 .289
[Q11_8=1.00] [Q11_8=2.00] [Q11_8=3.00]	Don't know q11_8X - You received financial compensation No Yes	.394 -.664 0a	0.51	.263 .000	-.296 -.800	1.084 -.527
[D2=1] [D2=2]	Male D2 Gender. Female	.241 0a	1.27	.000	.109	.372
[D1R1=1.00] [D1R1=2.00] [D1R1=3.00] [D1R1=4.00]	age 18-19 age 20-24 age 25-29 d1r1X - Age group age 30-35	-.906 -.570 -.214 0a	0.40 0.57 0.81	.000 .000 .009	-1.181 -.741 -.374	-.630 -.399 -.054
[D3A2=1.00] [D3A2=2.00] [D3A2=3.00]	Don't know d3a2X - University degree No Yes	-.430 -.045 0a	0.96	.488 .527	-1.646 -.185	.786 .095
[D13=1.00] [D13=2.00] [D13=3.00]	Rural Small / medium to d13X - Urbanity Large city	.098 .079 0a	1.10 1.08	.246 .326	-.067 -.079	.263 .237

Fonction de liaison : Logit.

a. The parameter for the respective reference class is set equal to zero as it is redundant (odds ratio equal to 1).

Source: DG EMPL calculation based on EB 378

Table 2 shows the result. The main differences to the estimation on the general question in section 1 are:



The issue of receiving compensation (Q11\_8) becomes highly significant in the specific company context: Those who haven't received compensation face only half the probability of being offered a contract after the training by the same organisation.

The same holds true for question Q10\_3 (working conditions equivalent to 'normal employees'): Those who think they were offering equivalent working conditions have a 40% higher chance to be offered an employment contract after the training.

Those who do not have a contract in writing (Q11\_2) face only half the chance to be offered an employment contract after the training compared to the residual group.

Those findings reflect that in the context of the organisation the seriousness of hiring a trainee in a long-term perspective instead of only exploiting cheap labour is being largely reflected by the readiness to offer good-quality traineeship.

Additional remarks:

The high significance of Q11\_5 (offered extension/renewal at the end of training) is an almost certain sign that most people could not draw the line between q11\_4 (offered an employment contract) and q11\_5. There is some significance for the finding that those not receiving a letter of reference after the training stand a higher chance to be recruited by the very company which is somehow understandable as a testimonial is only needed when applying elsewhere.

### **3. On the fundamental question: Differences in socio-demographics between those who have experience with traineeships and those who have not**

Taking on board the entire sample of 13.400 respondents, this section elaborates on the socio-demographics of having experience with traineeships or apprenticeships.

The fundamental question is:

Q1 "Have you ever had any of the following experiences ...?" (0: no, 1: yes)

<u>Sub-question</u>	<u>Number of valid responses</u>
- Q1.1 "... traineeships"	"no (0)": 7.900, "yes (1)": 5.400
- Q1.2 "... apprenticeships"	"no (0)": 10.200, "yes (1)": 3.100

We take Q1 as dependent variable Y in a logistic regression with only the socio-demographic control variables (D2: Gender; D1R1: Age group; D3A2: University degree?; D13: Degree of urbanity; BRK2: Working status) as explanatory variables X in order to find out whether there are significant differences between people with and those without experience.

Tables 3a and 3b show the results.

Table 3a: Parameter estimation resulting from a logit regression: Dependent variable: Experience or not with **traineeships**

Variables	Classes		Estimation of $\beta$	Odds ratio relative to reference class	Signif. level	95% confidence interval	
						Lower bound	Upper bound
[d2=1]	D2 Gender.	Male	-.194	0.82	.000	-.266	-.123
[d2=2]		Female	0 <sup>a</sup>	.	.	.	.
[d1r1X=1.00]	d1r1X - Age group	age 18-19	.239	1.27	.001	.101	.376
[d1r1X=2.00]		age 20-24	.289	1.34	.000	.193	.385
[d1r1X=3.00]		age 25-29	.227	1.25	.000	.136	.318
[d1r1X=4.00]		age 30-35	0 <sup>a</sup>	.	.	.	.
[d3a2X=1.00]	d3a2X - University degree?	Don't know					
[d3a2X=2.00]		No	-.777	0.46	.000	-.856	-.698
[d3a2X=3.00]		Yes	0 <sup>a</sup>	.	.	.	.
[d13X=1.00]	d13X - Urbanity	Rural	.070	1.07	.126	-.020	.160
[d13X=2.00]		Small / medium town	-.016	0.98	.711	-.101	.069
[d13X=3.00]		Large city	0 <sup>a</sup>	.	.	.	.
[WORKIING=.00]	brk2 - Working?	No	-.294	0.74	.000	-.377	-.211
[WORKIING=1.00]		Yes	0 <sup>a</sup>	.	.	.	.

Fonction de liaison : Logit.

a. The parameter for the respective reference class is set equal to zero as it is redundant (odds ratio equal to 1).

Source: DG EMPL calculation based on EB 378

Table 3b: Parameter estimation resulting from a logit regression: Dependent variable: Experience or not with **apprenticeships**

Variables	Classes		Estimation of $\beta$	Odds ratio relative to reference class	Signif. level	95% confidence interval	
						Lower bound	Upper bound
[d2=1]	D2 Gender.	Male	.285	1.33	.000	.203	.367
[d2=2]		Female	0 <sup>a</sup>	.	.	.	.
[d1r1X=1.00]	d1r1X - Age group	age 18-19	-.366	0.69	.000	-.532	-.200
[d1r1X=2.00]		age 20-24	.003	1.00	.963	-.105	.111
[d1r1X=3.00]		age 25-29	.042	1.04	.429	-.062	.145
[d1r1X=4.00]		age 30-35	0 <sup>a</sup>	.	.	.	.
[d3a2X=1.00]	d3a2X - University degree?	Don't know					
[d3a2X=2.00]		No	.478	1.61	.000	.384	.572
[d3a2X=3.00]		Yes	0 <sup>a</sup>	.	.	.	.
[d13X=1.00]	d13X - Urbanity	Rural	.190	1.21	.000	.086	.294
[d13X=2.00]		Small / medium town	.157	1.17	.002	.058	.256
[d13X=3.00]		Large city	0 <sup>a</sup>	.	.	.	.
[WORKIING=.00]	brk2 - Working?	No	-.506	0.60	.000	-.603	-.409
[WORKIING=1.00]		Yes	0 <sup>a</sup>	.	.	.	.

Fonction de liaison : Logit.

a. The parameter for the respective reference class is set equal to zero as it is redundant (odds ratio equal to 1).

Source: DG EMPL calculation based on EB 378

There are fundamental differences between the socio-demographic characteristics of people experienced with traineeships, compared to apprenticeships. Those are summarised in the table:

Propensity for traineeships / apprenticeships is *higher* for ...

	Gender	Age group (total: 18-35)	Having university degree	Degree of urbanity	Being active (working)
<b>Traineeship</b>	Women	people below 30	people with degree	(insignificant)	working people
<b>Apprenticeship</b>	Men	(insignificant)	people without degree	people in rural areas	working people

- There is evidence that women are more inclined to do traineeships whereas the propensity to have experience with apprenticeships is higher for men.
- One would suggest that for logical reasons the probability to have had experience with traineeships or apprenticeships increases with age simply because of seniority. However, there is no such trend. Looking at apprenticeships, only the very young (18-19 years) have significantly lower experience, other age groups not being significantly different. The probability to have experience with traineeships is even significantly higher for the age groups below 30 than for the 30-35 years group (despite seniority). That is, for the younger cohorts (some kind of) training appears to have been of much higher popularity compared to the cohort from age 30. This suggests that traineeships have become much more widespread for young people at least over the last 10 to 15 years – potentially reflecting a general deterioration of the labour market for younger people and/or another change in the working environment which triggers the use and of trainees by firms and the take-up of traineeships by young people.
- Apprenticeships are significantly more popular for people without university degree as in many cases an apprenticeship is the start into a "non-academic" career. For traineeships it is the other way around.
- Likewise, apprenticeships seem to be the more popular the more rural the area in which the person lives – reflecting the relatively higher propensity to undergo tertiary education in urban areas. For traineeships there is no significant difference as concerns the degree of urbanity.
- Active (working) people show a much higher inclination to undergo some kind of training than people currently inactive. The same holds true for apprenticeships.

## 12.6. Results of the European Youth Forum survey

While the Eurobarometer survey (see Box 3) was conducted on a representative sample of young European citizens, another interesting – although non-representative – source on EU traineeships is the European Youth Forum Survey conducted among (ex)trainees in the EU from April to July 2011. The 3028 responses provide a large enough sample for drawing some conclusions concerning quality concerns related to traineeships, as well as the dimension of the problem.

Most trainees are in their twenties and traineeships typically last between 4 and 6 months. The majority of respondents (63%) have done one or two traineeships (but 37 % has already done 3 or more) and the most common ways of finding a traineeship is by applying directly to organisations, searching on the internet, and making use of personal connections. With regards to the motivation for doing a traineeship, improving their CV and improving future job opportunities were the two most significant factors. Some also wanted to learn more about a particular organisation or field of work, or get first-hand experience of working life. A high number of trainees also cited a lack of available jobs as a motivation.

The quality of the traineeship is a core concern of the trainee, and takes precedence over other factors such as remuneration. Although three out of four respondents were not (51%) or insufficiently (24%) compensated and had to rely on parental support, savings, or other forms of external financial means, they seem more interested in the potential gains from the traineeship than its costs. An example is the traineeship satisfaction rates of the post-studies (open market) trainees, which did not differ from the average despite the fact that they more often received no or low pay. A 16% share of trainees managed to turn their traineeship into a job with their traineeship provider afterwards.

A 25% share of trainees report not having had a written traineeship agreement (which the Traineeship study identified as an important quality indicator). 54% of (ex)trainees were completely satisfied with the mentor's performance (excellent or good), and further 19% evaluated the mentor as satisfactory – meaning that every fourth trainee lacked a good mentor. The learning content of the traineeship was relevant to the studies/career interests for 56% of the trainees (excellent or good), and satisfactory for further 24%; however this was not the case for every fifth respondent.

## 12.7. SMEs Test Results

FINAL RESULTS AS OF 28 JUNE 2013

▶ Current search:

Query definition

All data requested

Result pages

▶ There are **914** responses matching your criteria of a total of **914** records in the current set of data.

▶ **Expand all** - **Collapse all**

Sorted answers  Original order

Company identification

1. How many employees does your organisation have?

-single choice reply- (optional)

	<b>Number requested records</b>	<b>ofRequested records (914)</b>	<b>% of number records (914)</b>	<b>total% of number records (895)</b>	<b>total</b>
a) 0	40	(4.4%)	(4.4%)	(4.5%)	
b) 1-9	397	(43.4%)	(43.4%)	(44.4%)	
c) 10-50	291	(31.8%)	(31.8%)	(32.5%)	
d) 51-250	167	(18.3%)	(18.3%)	(18.7%)	
N/A	19	(2.1%)	(2.1%)	-	

2. In which Member State is your organisation based?

-single choice reply- (compulsory)

	<b>Number requested records</b>	<b>ofRequested records (914)</b>	<b>% of number records (914)</b>	<b>total</b>
Austria	3	(0.3%)	(0.3%)	
Belgium	0	(0%)	(0%)	
Bulgaria	7	(0.8%)	(0.8%)	

Cyprus	0	(0%)	(0%)
Czech Republic	8	(0.9%)	(0.9%)
Denmark	3	(0.3%)	(0.3%)
Estonia	0	(0%)	(0%)
Finland	36	(3.9%)	(3.9%)
France	63	(6.9%)	(6.9%)
Germany	9	(1%)	(1%)
Greece	3	(0.3%)	(0.3%)
Hungary	0	(0%)	(0%)
Ireland	0	(0%)	(0%)
Italy	127	(13.9%)	(13.9%)
Latvia	0	(0%)	(0%)
Lithuania	0	(0%)	(0%)
Luxembourg	0	(0%)	(0%)
Malta	0	(0%)	(0%)
Netherlands	0	(0%)	(0%)
Poland	83	(9.1%)	(9.1%)
Portugal	528	(57.8%)	(57.8%)
Romania	1	(0.1%)	(0.1%)
Slovakia	0	(0%)	(0%)
Slovenia	11	(1.2%)	(1.2%)
Spain	32	(3.5%)	(3.5%)
Sweden	0	(0%)	(0%)
United Kingdom	0	(0%)	(0%)
Other	0	(0%)	(0%)

3. In which sector is your organisation operating?

-single choice reply- (optional)

**Number ofRequested records      % of number      total% of total**



	<b>records</b>	<b>(914)</b>	<b>records</b>	<b>records</b>
			<b>(914)</b>	<b>(900)</b>
A AGRICULTURE, FORESTRY AND FISHING	25	(2.7%)	(2.7%)	(2.8%)
B MINING AND QUARRYING	0	(0%)	(0%)	(0%)
C MANUFACTURING	162	(17.7%)	(17.7%)	(18%)
D ELECTRICITY, GAS, STEAM AND AIR CONDITIONING SUPPLY	18	(2%)	(2%)	(2%)
E WATER SUPPLY; SEWERAGE, WASTE MANAGEMENT AND REMEDIATION ACTIVITIES	9	(1%)	(1%)	(1%)
F CONSTRUCTION	46	(5%)	(5%)	(5.1%)
G WHOLESALE AND RETAIL TRADE; REPAIR OF MOTOR VEHICLES AND MOTORCYCLES	88	(9.6%)	(9.6%)	(9.8%)
H TRANSPORTATION AND STORAGE	14	(1.5%)	(1.5%)	(1.6%)
I ACCOMMODATION AND FOOD SERVICE ACTIVITIES	36	(3.9%)	(3.9%)	(4%)
J INFORMATION AND COMMUNICATION	56	(6.1%)	(6.1%)	(6.2%)
K FINANCIAL AND INSURANCE ACTIVITIES	15	(1.6%)	(1.6%)	(1.7%)
L REAL ESTATE ACTIVITIES	13	(1.4%)	(1.4%)	(1.4%)
M PROFESSIONAL, SCIENTIFIC AND TECHNICAL ACTIVITIES	79	(8.6%)	(8.6%)	(8.8%)
N ADMINISTRATIVE AND SUPPORT SERVICE ACTIVITIES	31	(3.4%)	(3.4%)	(3.4%)
O PUBLIC ADMINISTRATION AND DEFENCE; COMPULSORY SOCIAL SECURITY	3	(0.3%)	(0.3%)	(0.3%)
P EDUCATION	51	(5.6%)	(5.6%)	(5.7%)
Q HUMAN HEALTH AND SOCIAL WORK ACTIVITIES	67	(7.3%)	(7.3%)	(7.4%)
R ARTS, ENTERTAINMENT AND RECREATION	9	(1%)	(1%)	(1%)
S OTHER SERVICE ACTIVITIES	171	(18.7%)	(18.7%)	(19%)
T ACTIVITIES OF HOUSEHOLDS AS EMPLOYERS; UNDIFFERENTIATED	3	(0.3%)	(0.3%)	(0.3%)

GOODS- AND SERVICES-PRODUCING  
ACTIVITIES OF HOUSEHOLDS FOR  
OWN USE

U ACTIVITIES OF  
EXTRATERRITORIAL  
ORGANISATIONS AND BODIES 4 (0.4%) (0.4%) (0.4%)

N/A 14 (1.5%) (1.5%) -

Questions on Traineeships

**If you answer for Question 4 was '0' please continue with Question 5. Otherwise please go to Question 6.**

5. Would your organisation be interested in having a trainee? -multiple choices reply- (optional)

	<b>Number requested records</b>	<b>ofRequested records (914)</b>	<b>% of number records (914)</b>	<b>total% of number records (356)</b>	<b>total</b>
a) yes, even if it involves certain costs (financial and/or human resources)	140	(15.3%)	(15.3%)	(39.3%)	
b) yes, but only if it does not involve any cost (financial or human resources)	124	(13.6%)	(13.6%)	(34.8%)	
c) yes, but we cannot find a suitable applicant	29	(3.2%)	(3.2%)	(8.1%)	
d) no, the company is not able to ensure the necessary conditions for the trainee	25	(2.7%)	(2.7%)	(7%)	
e) no, the cost of hosting a trainee is too high for the company	15	(1.6%)	(1.6%)	(4.2%)	
f) no, I do not see how the trainee could contribute to the work of the company	23	(2.5%)	(2.5%)	(6.5%)	
N/A	558	(61.1%)	(61.1%)	-	

**Please answer the following questions only if your reply for Question 4 was not '0'.**

6. What was the usual duration of the traineeships offered by your organisation? -single choice reply- (optional)

	<b>Number requested records</b>	<b>ofRequested records (914)</b>	<b>% of number records</b>	<b>total% of number records</b>	<b>total</b>
--	---	--	------------------------------------	---	--------------

			<b>(914)</b>	<b>(770)</b>
a) less than 1 month	22	(2.4%)	(2.4%)	(2.9%)
b) 1- 3 months	151	(16.5%)	(16.5%)	(19.6%)
c) 3-6 months	129	(14.1%)	(14.1%)	(16.8%)
d) 6-12 months	458	(50.1%)	(50.1%)	(59.5%)
e) more than 12 months	10	(1.1%)	(1.1%)	(1.3%)
N/A	144	(15.8%)	(15.8%)	-

7. What was the usual educational level of the trainees?

-multiple choices reply- (optional)

	<b>Number requested records</b>	<b>ofRequested records (914)</b>	<b>% of number records (914)</b>	<b>total</b>
a) university graduates	461	(50.4%)	(50.4%)	
b) university students	177	(19.4%)	(19.4%)	
c) secondary education graduates	101	(11.1%)	(11.1%)	
d) secondary education students	93	(10.2%)	(10.2%)	
e) vocational education graduates	110	(12%)	(12%)	
f) vocational education students	157	(17.2%)	(17.2%)	
g) they have no formal education	9	(1%)	(1%)	

8. Was any other institution involved in this traineeship apart from the trainee and your organisation?

-single choice reply- (optional)

	<b>Number requested records</b>	<b>ofRequested records (914)</b>	<b>% of number records (914)</b>	<b>total% of number records (765)</b>	<b>total</b>
a) There was no other institution or programme involved	169	(18.5%)	(18.5%)	(22.1%)	
b) An educational institution as the sending institution	189	(20.7%)	(20.7%)	(24.7%)	
c) State/regional/local government (traineeship programme)	241	(26.4%)	(26.4%)	(31.5%)	
d) Public Employment Service	143	(15.6%)	(15.6%)	(18.7%)	

📁 e) other – please specify:	23	(2.5%)	(2.5%)	(3%)
N/A	149	(16.3%)	(16.3%)	-

9. Why do you provide traineeships? (*Multiple choices possible*)

-multiple choices reply- (optional)

	<b>Number requested records</b>	<b>ofRequested records (914)</b>	<b>% of number records (914)</b>	<b>total</b>
a) Building corporate image/ advertising the enterprise to potential applicants	117	(12.8%)	(12.8%)	
b) Training potential future employees	657	(71.9%)	(71.9%)	
c) Part of the entrepreneurial responsibility to contribute to high skilled staff	289	(31.6%)	(31.6%)	
d) Trainees bring new ideas to the enterprise	324	(35.4%)	(35.4%)	
e) Cheap and flexible workforce	99	(10.8%)	(10.8%)	

10. Which of the following measures does your company ensure for its trainees? (*Multiple choices possible*)

-multiple choices reply- (optional)

	<b>Number requested records</b>	<b>ofRequested records (914)</b>	<b>% of number records (914)</b>	<b>total</b>
a) Traineeship agreement (contract)	656	(71.8%)	(71.8%)	
b) Clearly defined learning objectives	548	(60%)	(60%)	
c) Mentoring and evaluation	555	(60.7%)	(60.7%)	
d) Certificate at the end of the traineeship with description of tasks accomplished	457	(50%)	(50%)	
e) Social protection coverage	321	(35.1%)	(35.1%)	
f) Remuneration/compensation	423	(46.3%)	(46.3%)	
📁 g) Other – please specify:	38	(4.2%)	(4.2%)	

13. Not speaking of your company but in general, do you think that concerns by the public on the existence of some cases of abuse of traineeships, in which trainees are used as a cheap or unpaid labour force and/or do not learn much, are founded ?

-single choice reply- (optional)

	<b>Number requested records</b>	<b>ofRequested records (914)</b>	<b>% of number records (914)</b>	<b>total% of number records (781)</b>	<b>total</b>
a) yes, such cases are frequent	153	(16.7%)	(16.7%)	(19.6%)	
b) yes, cases such as these exist	428	(46.8%)	(46.8%)	(54.8%)	
c) no, cases of abuse are a small minority	200	(21.9%)	(21.9%)	(25.6%)	
N/A	133	(14.6%)	(14.6%)	-	

14. Which of these measures would you consider as difficult for you to introduce? (*Multiple choices possible*) - multiple choices reply- (optional)

	<b>Number requested records</b>	<b>ofRequested records (914)</b>	<b>% of number records (914)</b>	<b>total</b>
a) Written traineeship agreement (contract)	47	(5.1%)	(5.1%)	
b) Clearly defined learning objectives	98	(10.7%)	(10.7%)	
c) Mentoring and evaluation	64	(7%)	(7%)	
d) Certificate at the end of the traineeship with tasks accomplished	44	(4.8%)	(4.8%)	
e) Social protection coverage	203	(22.2%)	(22.2%)	
f) Remuneration/compensation	257	(28.1%)	(28.1%)	
g) When publishing the opening for the traineeship position, to state in brief the terms and conditions (including on compensation/social protection)	101	(11.1%)	(11.1%)	
h) They constitute/would constitute no or only minor cost to my organisation	124	(13.6%)	(13.6%)	

15. Would the introduction of any of these measures make hosting trainees impossible for you? -single choice reply- (optional)

	<b>Number requested records</b>	<b>ofRequested records (914)</b>	<b>% of number records (914)</b>	<b>total% of number records (763)</b>	<b>total</b>
a) not at all	516	(56.5%)	(56.5%)	(67.6%)	
b) no, but I would have to reduce their number	142	(15.5%)	(15.5%)	(18.6%)	

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c) yes	105	(11.5%)	(11.5%)	(13.8%)
N/A	151	(16.5%)	(16.5%)	-



## **12.8. Case studies - the benefits and costs of providing quality traineeships**

### ***Swedbank's 'Young Jobs' project***

In 2010 Swedbank launched the project “Young Jobs”. The idea is to use Swedbank’s extensive network of branches to encourage the creation of trainee positions for people aged between 18 and 24. The objective is not only to create trainee positions at the Swedbank and related Savingsbanks' branches, but also to encourage the bank’s corporate clients (businesses and municipalities) to offer trainee positions themselves. The bank’s employees have a good understanding of the local companies’ operations as well as their needs and are therefore in a good position to identify possible job openings. The project is conducted in cooperation with local employment offices.

To support the project, the website [www.ungajobb.se](http://www.ungajobb.se), was created where young people can search for new trainee opportunities while companies can enroll in the project.

The total number of traineeships created by the project was 3,000 – including 400 traineeships within Swedbank, 1,600 traineeships in the Savings banks' 600 branches as well as 1,000 further traineeships at partner companies.

The traineeships included three months of practice also supported by the Swedish Public Employment Service Centre. Two full days of education, as well as five days of tutoring by staff members ensured the quality learning content.

Swedbank’s branch office managers evaluated the project positively:

- 82 per cent said that Young Jobs has actively contributed in strengthening the bank’s brand.
- 65 per cent believed that Young Jobs has increased the confidence of personnel.
- 64 per cent answered that they are continuously planning to invite more trainees.
- 26 per cent stated that the project has increased business among current clients.
- 18 per cent point out that the project has resulted in new clients.

Of the approximately 400 apprentices within the bank 70% have been offered some form of employment after their internships. The costs of the programme for the bank are estimated at around € 1,200,000 per year, i.e. about € 3,000 per trainee.

### ***Audi traineeship project in Brussels***

Audi Brussels has recently launched an initiative together with two Belgian VET schools with the aim of providing a high quality technical traineeship. Although the traineeship borders on an apprenticeship in terms of the organisation and ambition of the scheme, it represents a useful example of an unpaid, but quality traineeship.

Audi provides traineeship placements for 10 VET students, who spend a total of 600 hours in 75 days with the company (one day per week plus a 3 week workshop). The objective is to offer all the trainees a job at the end of the programme. The costs faced by Audi include two persons (not full-time) following the programme, organizing a course for 10 trainers, and about € 300,000 to adapt the facilities to the needs of the programme. Audi’s motivation is that it allows the company to train its future employees, thus reducing later recruitment costs. The programme is also part of the company's CSR policy; it helps to reinforce the image of Audi in Belgium.

Sources: Swedbank AB, Audi AG

## 12.9. Motivations for supplying and applying for traineeships

### *Reasons why traineeship providers offer traineeship positions*

As highlighted last year in the Analytical Document, the economic literature indicates that traineeship providers (HOs) offer traineeship positions for three reasons (see Box 1 for a quantification):

#### *1) Better selection of job applicants*

A better screening of job applicants, based on direct experience with the candidate rather than 'signals' (Stolorz, 2005), as shown by higher retention rates of employees who were in traineeships in the same company. Traineeships also may help attract more or better job candidates;

#### *2) Lower labour costs and positive impact on innovation*

HOs can utilise the trainees to conduct certain work activities at lower cost than regular employees, while benefiting from their up-to-date academic knowledge;

#### *3). Reputational benefits*

A company's involvement in a well-designed traineeship programme can be seen as a mark of quality. The provision of quality traineeships is sometimes utilised as an integral part of an organisation's CSR (Corporate Social Responsibility) and employer brand<sup>49</sup>.

### *Reasons why young people apply for traineeships*

As documented by research, young people apply for traineeships to build up experience and practical skills in order to strengthen their employment prospects. A positive traineeship experience can play an important formative role both *during* and *after* studies. During studies, traineeships have been found, *inter alia*, to improve academic performance and help youths orient their job search (Coco, 2000; Beard, 1998; Knechel, 1987; English, 1993). After studies, traineeships helped improve the transition from school to work, also, notably, in the case of expatriate trainees (Feldman, 1998). Traineeships enhance students' chances of receiving job offers both at the firms where they trained and elsewhere due to signalling effects. After graduation, the work performance of professionals that had had a traineeship experience was found to be better, and their retention and promotion rates were also significantly higher (Höft and Hell, 2007; Siegel, 2010, 2012).

### *Costs*

Traineeships obviously entail costs both for trainees and for HOs. For trainees, the most important cost factor is the fact that traineeships are for the most part unpaid and cost for the trainee are not compensated (e.g. living and transport costs). For HOs, the main costs, besides any direct compensation of trainees, relate to training costs, represented mainly by the time that trainers or other employees have to spend overseeing the trainee. Additional costs include

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<sup>49</sup> The recent UK Common Best Practice Code for High-Quality Internships states that greater access to high-quality traineeships can help an organisation meet its CSR objectives by promoting social mobility and diversity in the professions. In a similar vein, in both the Netherlands and Slovenia, the AIESEC traineeship programme also explicitly links the offer of quality traineeships with the promotion of a positive and strong employer brand and CSR which, in turn, can enhance an organisation's attractiveness to the best talent.

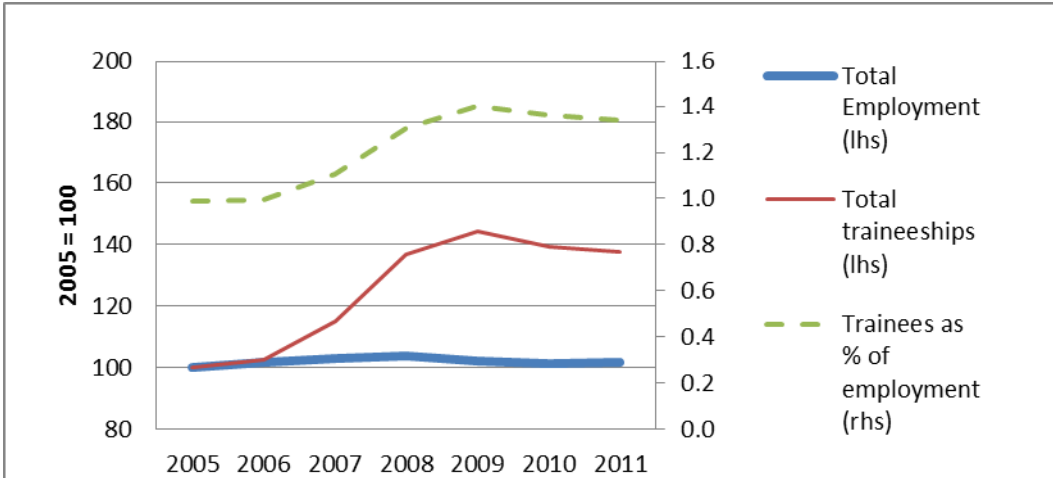
the provision to the trainee of office space and equipment<sup>50</sup>. In a quality context, substantial training costs may justify low compensation or even the absence of compensation (see annex 0 for two case studies).

*Trend development of traineeships and their link with the business cycle*

There are no official statistics on traineeships. The only supply-side data available refer to Italy<sup>51</sup>. These data are in line with the strong trend increase for traineeships reported by experts in many countries (see **Error! Reference source not found.**). Estimates for France<sup>52</sup>, available only for 2006 and 2012, show an even stronger increase.

Italian data also show that the number of traineeships correlates strongly with the business cycle: traineeships fell for the first time in 2009, at the beginning of the crisis, and their decline was stronger than that of overall employment.

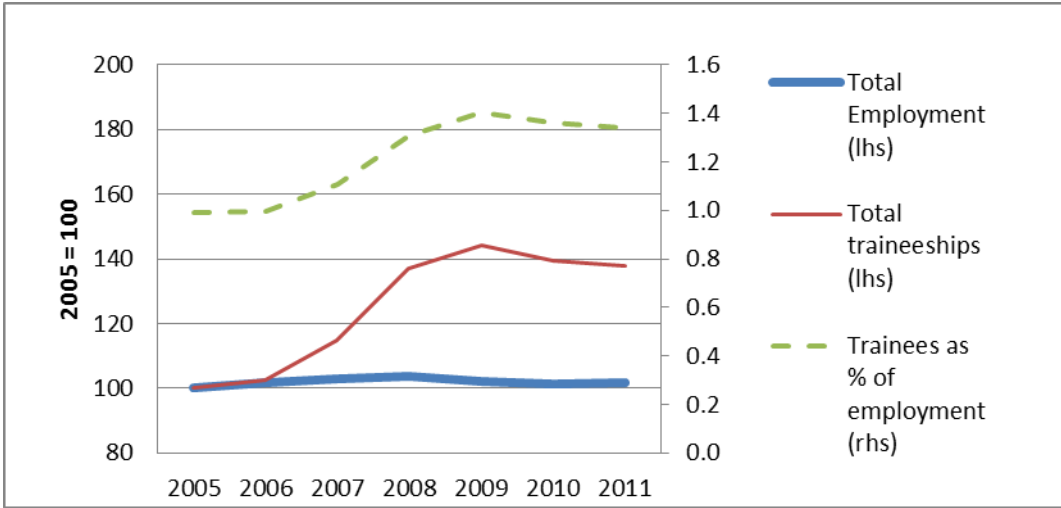
Figure 1 Traineeships and total employment, Italy, 2005-2011



<sup>50</sup> Unfortunately, no studies quantifying training costs could be identified. Edwards and Hertel-Fernandez (2010, p. 5) provide two examples which can be taken to represent a plausible range of training costs for the US (US\$ 400 and US\$ 3500). In a more dated contribution, McCaffery (1979) estimated the total direct costs of one specific traineeship programme at US\$ 2000 per trainee.

<sup>51</sup> These are Chamber of Commerce data contained in the Excelsior database. The Italian Chambers of Commerce have kindly supplied the Commission with some further disaggregated data for analytical purposes.

<sup>52</sup> Report of the French Economic, Social and Environmental Committee ("Conseil économique, social et environmental) on youth employment, Jean-Baptiste Prévost, Septembre 2012.



## 12.10. Economics of traineeships

In a regular employment contract, the benefit each party obtains from the arrangement is, to a large extent, clear and measurable. In exchange for his or her work effort, the worker receives a known amount of pay. The pay is fixed in advance and the work effort can be monitored by the employer. In a traineeship, in contrast, the benefits accruing to the trainee are hard to assess in advance and hard to monitor even during the traineeship; it is very hard for the trainee to realistically assess his or her chances of hiring even when the traineeship has already started). This situation of asymmetric information creates room for unscrupulous practices.

To be sure, there are other elements of mutual benefit that are less concrete and measurable, but may yet form part of either side's expectations from the contract: for example, the worker may expect a pay raise in the future, or the firm may expect a well-treated worker to spread some good words about the company. But in any case these are accessory elements, which would not fundamentally alter the balance of the relationship if they did not materialize.

The situation is radically different in a traineeship contract. Here, the main benefits accruing to the two parties are not so much pay and effort but a set of other benefits. The main benefits of the traineeship for the traineeship provider are:

1. The possibility to assess precisely the value and productivity of the trainee in case it should want to hire a worker ("screening" benefit); this is often the main reason for offering a traineeship position. The value of this information depends on many factors, such as the difficulty in selecting a good employee, the costs of training and dismissing a bad one, the share of good candidates in the job pool etc.
2. The opportunity to maintain a reputation as a good employer or, more broadly, a good organisation, even if it may have no immediate hiring need ('Corporate Social Responsibility'). This is an element of the corporate strategy.
3. The value of the work carried out by the trainee. This can be estimated quite precisely by the HO on the basis of the trainee's qualification and experience.

The main benefits for the trainee are the following:

1. A greater chance of being offered a job at the end of the traineeship compared to an unknown candidate, and the possibility of assessing precisely working conditions in the event;
2. The value of the practical on-the-job training received, which comes at a cost to the traineeship provider, in the form of time dedicated to form trainees by qualified employees or trainers;
3. The strengthening of one's job prospects with other firms, consequent to having completed a traineeship and having thus gained a higher productivity.
4. Compensation, if any.

The traineeship agreement will be concluded if both sides consider that the respective costs are in balance with the benefits.

Figure 2 Schematic representation of bilateral benefits in employment and traineeship arrangements

Key:

The thickness of the arrow represents the importance of the factor in the work relationship. The colour represents the ease or difficulty for the counterpart to monitor compliance:

Gray : easy to monitor

White: difficult to monitor

In a normal traineeship, work and pay, taken in isolation, play a less important role than in a regular employment contract. Trainees' lack of experience translates into low productivity and correspondingly low compensation, if any is paid at all. Hence the rationale and advantage of the contract derives much more from the anticipated value of the other, less tangible, benefits.

This situation creates room for market failure. In a traineeship, *particularly the value of the benefits accruing to the trainee is uncertain and difficult to assess in advance* ('information asymmetry'). The trainee has little possibility of realistically assessing his or her chance of being hired at the end of the traineeship, or even whether the traineeship provider intends to hire at all. Equally difficult is assessing in advance the value of the job training to be received and the strengthening of prospects with other firms that it will provide. This makes it possible for an unscrupulous traineeship provider to underdeliver on the quality of training, i.e. on the job content and on the general conditions of work. Underdelivering will reduce its costs, without immediately affecting the benefit the HOs obtains from the trainee's work, as his or her tasks will be simple ones that need no training ('free-riding').

It is also very difficult for trainees to screen the quality of the traineeship on the basis of whether the traineeship is paid or unpaid. Although low quality is more common in unpaid traineeships, quality unpaid traineeships exist, particularly in case of technical professions with high training costs or where a large imbalance between candidates and available positions encourages HOs to minimize compensation.

Once the traineeship has begun, the scope for trainees to lobby effectively for improving the quality of the traineeship, if it turns out to be deficient, is very limited. Trainees may initially put up with the situation in the hope that it could improve later. They may be reluctant to complain out of fear of compromising their employment prospects; and they have difficulty referring to quality standards because these often do not exist. They also face a cost in changing companies and the duration of the traineeship is not very long anyway.

As a result, trainees are often 'trapped' into completing a bad quality traineeship. This will at any rate give them some kind of positive outcome (i.e. a mention on their CV) compared to no benefit at all if they abandon the traineeship.

Not only trainees, but also other companies will have difficulty screening ex post the quality of a previous traineeship followed by a job candidate. This also contributes to market failure.

As a result, the traineeship market is characterized by an equilibrium in which a certain share of traineeships is substandard. This is in line with survey results, outlined in Box 1, showing consistently that a share of traineeships of 20-40% is of insufficient quality.

#### *Conditions for market failure to occur*

Intentional under-delivery of training or imposition of harsher working conditions can occur if the traineeship provider has no intention to hire and does not care too much about its



reputation, as otherwise its behaviour would undermine the attainment of those objectives. Such a ‘free-riding’ traineeship provider will have an incentive to limit its training costs to the absolute minimum, in order to maximize its profits. For this reason the risk of bad quality is greatest on open market traineeships, as there is no external control on training quality.

The market will always offer some quality traineeships, because even in a deep recession, some organisations always have hiring needs. However, this share is likely to be lowest now, because the crisis has affected hiring plans negatively; this reduces the incentives for offering a quality traineeship. It may also reduce the attachment of Ho to adhere strictly to CSR principles.

#### *Consequences of market failure*

Cost minimization by free riders explain both types of problems identified by the studies, i.e. limited learning content and bad working conditions, as free riders will both want to minimize the training costs and will also tend to ‘push’ trainees to supply the maximum possible output. In practical terms, substandard traineeships will be characterized by very limited training.

The differences outlined above have important implications as they make the incentive structure in a traineeship contract very different from a regular employment contract. The key difference is that in regular employment the most important elements in the relationship, work and pay, are relatively easy to monitor for both parties. In a traineeship, however, while the benefits for the traineeship provider can be monitored easily (both the quality and quantity of the work and the screening of the trainees’ qualities as a potential employee are fairly straightforward), the benefits for the trainee (i.e. mainly the chances of being hired and the quality of the training), are difficult to assess and monitor.

The benefits for trainees are even harder to estimate *before* the beginning of the traineeship, when the trainee has to decide whether to accept a proposal or wait for another offer. The ‘soft’ nature of the quality of the training and the uncertainty about hiring chances leave the real value of each traineeship, before it starts, largely unknown. Summing up, the value of the rewards for the trainee suffers from an asymmetric information problem. *This opens the door to free-riding behaviour* on the part of unscrupulous HOs<sup>53</sup>.

Asymmetric information prevents the traineeship market from functioning well, which in turn limits both the number of traineeships and their quality (market failure problem).

Under current circumstances HOs have few incentives to improve quality. First, owing to high demand for traineeships, the traineeship provider is under little pressure to adopt any quality standard to attract candidates; at any rate it is normally under no legal obligation to do so. Second, the lack of generally accepted quality standards does not provide HOs with any guidance as to how to make any improvements.

Overall, the main incentives for a company or other traineeship provider to provide good quality are currently either a) their intention to hire trainees in the near future or b) their wish to maintain a good reputation as employers or, more generally, out of respect for Corporate Social Responsibility. An organisation that does not intend to hire and does not assign a particular value to its reputation may thus just use traineeships as a source of cheap labour. This set of incentives and disincentives explain why open market traineeships are more affected by low quality than the other types of traineeships, where actors with a specific role in ensuring quality are present.

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<sup>53</sup> This phenomenon is explained in more detail in last year’s Analytical Document: see Annex VI, p. 53, SWD(2012) 407 final.

## Box 6 Comparing quality with average traineeships using data from a quality label experience

The Italian trainees' organisation Repubblica degli Stagisti has launched a voluntary scheme, "OK Stage" whereby HOs commit to respect a quality charter formulated by the organisation. The traineeship conditions, published on the site of Repubblica degli Stagisti include commitments on fair treatment. Currently, 36 HOs have adopted the charter. It is interesting to compare the traineeships conditions offered by these quality traineeships with the average for Italy.

- All these traineeships offer remuneration – a minimum of 200 euros per month for student traineeships and 500 euros for traineeships after university graduation. The average net compensation for university graduates amounts to 643 euros per month. In Italy, according to the Repubblica degli Stagisti traineeship organisation (RdS), only 47.6 % of traineeships were paid; note however that while the quality charter calls for compensation it did not specify its level.
- The average hiring rate after completion of the traineeship was 55%, compared to an estimate of 12.3% for traineeships as a whole in Italy (RdS, 2010).

The much higher rate of hiring among participants confirms the link between quality and intention to hire on the part of the organisation.

Trainees complaints are also largely ineffective in inducing quality improvements in the market because of incentive problems. Trainees face a cost in changing companies and the duration of the traineeship is not very long anyway. As a result, they are often 'trapped' into completing a bad quality traineeship, in the hope that this will at any rate give them some kind of positive return (i.e. a mention on their CV) compared to nothing - or even a negative signal to potential future employers - if they quit the traineeship.

All these factors result in a long-term equilibrium in which the market is unable to screen out lower quality traineeships, which may remain on offer indefinitely and which may coexist with a majority of good quality offers (this mechanism is explained in more detail in Annex VI; see also Curiale (2010), Edwards, Hertel-Fernandez (2011)).

### Drivers of supply and demand for quality and substandard traineeships

Because trainees carry out work for an organisation, at a very basic level the supply of traineeship positions by organisations (ie the demand for trainees) will be subject to roughly similar drivers as the demand for other types of labour. For example, if firms are under high demand for their products or services, they will be likely to open offer more traineeship positions, both because they have more work to do and because, as outlined earlier, traineeships are often used to scope for good candidates in view of upcoming hirings, which of course are more frequent in good times than in a downturn. **Error! Reference source not found.** on page **Error! Bookmark not defined.** confirms the direct relation between the business cycle and the number of traineeships. More generally, HOs will hire trainees so long as their marginal and average productivity exceeds marginal and average costs – including hiring and training costs; this is the same as for regular workers.

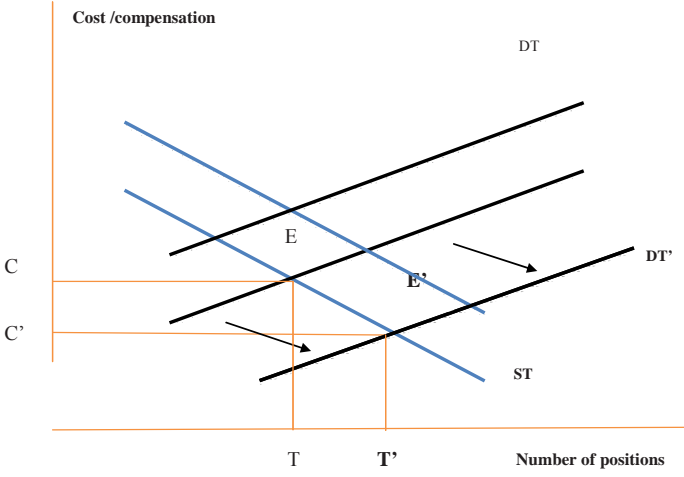
Hence, the *supply* of traineeship positions will depend on the total cost of their labour (computed as the sum of compensation and training costs), on the cyclical position and on the productivity of trainees. In equilibrium, any policy action that will increase costs for HOs or reduce the payoff they get from trainees will reduce the offer of traineeships, and viceversa. The *demand* for traineeship positions by young people in turn depends on the perceived payoff in terms of the compensation and value of the training component. An improvement in the payoff – for example by making traineeships less risky in terms of the conditions, or the quality of the learning content, will lead to increased demand for traineeship positions by young people.

The impact of the various options on the number of traineeships of higher and lower quality can therefore be assessed on the basis of this analytical framework. In particular, HOs offering quality traineeship are normally interested in aspects such as effectiveness of training, offering a valid learning environment for the trainee as a pathway to assessing his or her ability for a job, and creating a good atmosphere. This is because, as shown by the literature review in section **Error! Reference source not found.**, the motivators for quality traineeships are typically either prospection for job candidates, or reputational build-up for the organisation<sup>54</sup>.

In a quality traineeship the lower cost paid for the trainee’s working time, compared to a regular employee, is a benefit that counter-balances time spent on training and oversight by the employees<sup>7</sup> of the organisation. In substandard traineeships, on the contrary, the motivator for offering the traineeship is mainly linked with the access to low-cost labour. In the latter case the organisation is solely interested in minimizing costs, be they pay or training costs. Given that the rationale behind the choices to offer a quality or a substandard traineeship differ, so will the two types of organisations differ in their response to measures on traineeships. This is the basis for the approach followed on assessing the possible options for improving traineeships quality: an effective measure is one that discourages the offer of substandard traineeships while leaving unaffected the offer of quality traineeships.

The impact of the options can be modelled in a partial equilibrium framework as follows. In the initial equilibrium E a number T of traineeships is offered at an average cost of C. Implementation of an option resulting in an increase in transparency of the payoff for trainees will cause a rightward shift of the demand for traineeships curve DT to DT’; if there is no change in costs for HOs, the supply of traineeships curve ST does not shift and a new equilibrium is found at the intersection of ST and DT’ at the point E’, where a higher number of traineeships T’ are offered and taken up (see Diagram 1).

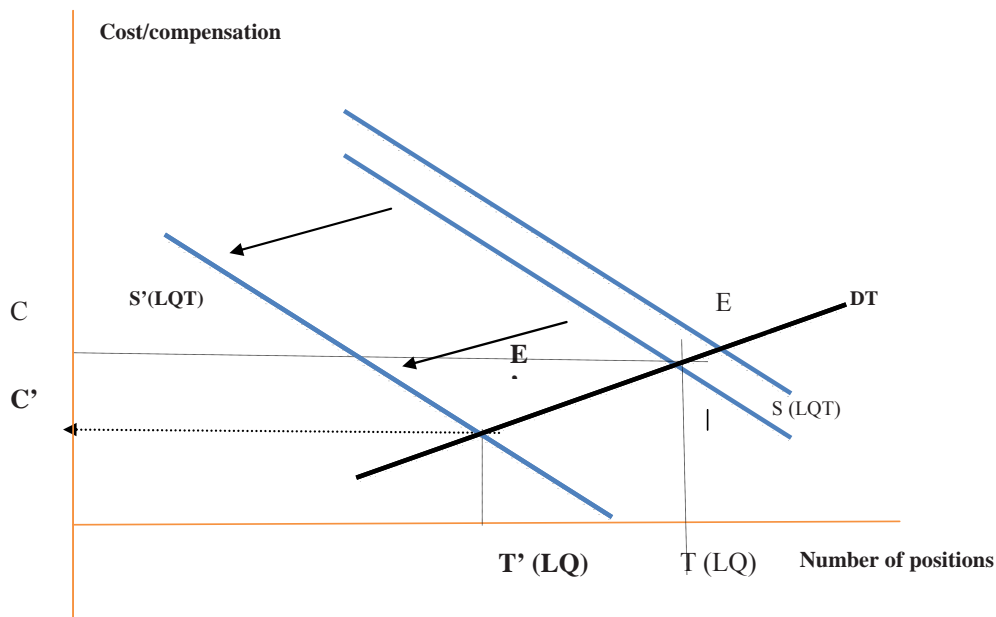
**Diagram 1 – Effect of a reform increasing transparency of benefits to trainees on the number of traineeship positions: equilibrium shifts from E to E’ with a higher number of traineeships**



<sup>54</sup> This is also confirmed by the procyclicality of traineeship numbers, so long as (highly cyclical) quality traineeships are more numerous than the (presumably less cyclical, or anti-cyclical) substandard traineeships.

A reform increasing disincentives for substandard traineeships can be instead represented graphically as a leftward shift in the ST curve with an unchanged DT curve (see Diagram 2).

**Diagram 2 – Effect of a reform reducing payoff for substandard traineeship positions (= leftward shift of  $S(LQ)$  curve): equilibrium shifts to  $E'$  with a lower number of substandard traineeships  $T'$  (LQ)**



### *Compensation and labour market conditions*

Diagrams 1 and 2 also shed some light on trainee compensation. Average compensation levels are linked to several factors: one is the characteristics of the trainees and of the traineeship providers (quality or substandard): A higher marginal productivity of the trainees – due either to a high human capital or to the fact that the HO employs the trainees in high-productivity tasks - results in an upward shift in the ST and hence to higher average compensation (or investment in training).

On the other hand, compensation levels also depend on the characteristics of the labour market, in particular to the general level of labour demand, labour market regulation, the existence of labour market segmentation, and so forth. High youth unemployment will tend to increase the number of candidates for each available traineeship position, while negative growth prospects will induce businesses to curtail hirings. The Italian supply-side data, showing a high procyclicality of traineeships, are compatible with the assumption that the majority of trainees are high-quality (as substandard ones do not have any link with future hirings and may even be counter-cyclical).

Figure 3, Figure 4 and Figure 5 illustrate the evolution of traineeships in Italy in three sectors with increasing degrees of cyclicity, i.e. services, industry and construction.

Figure 3 Traineeships and employment, Italy, services, 2005-2011

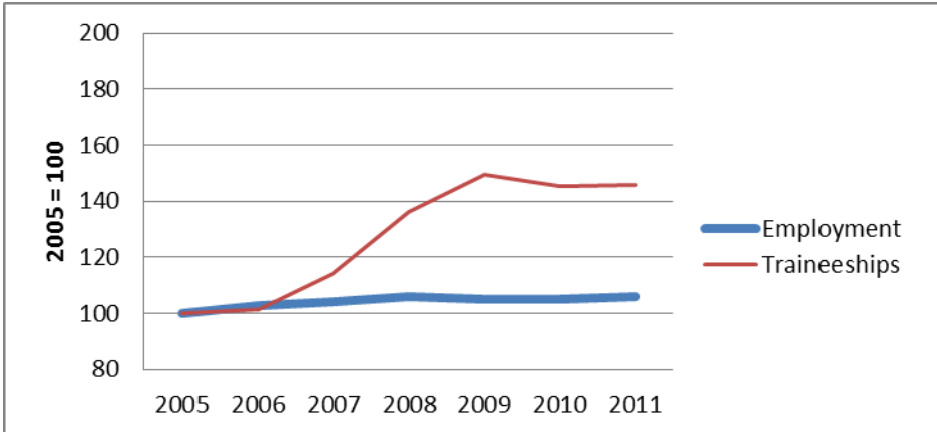
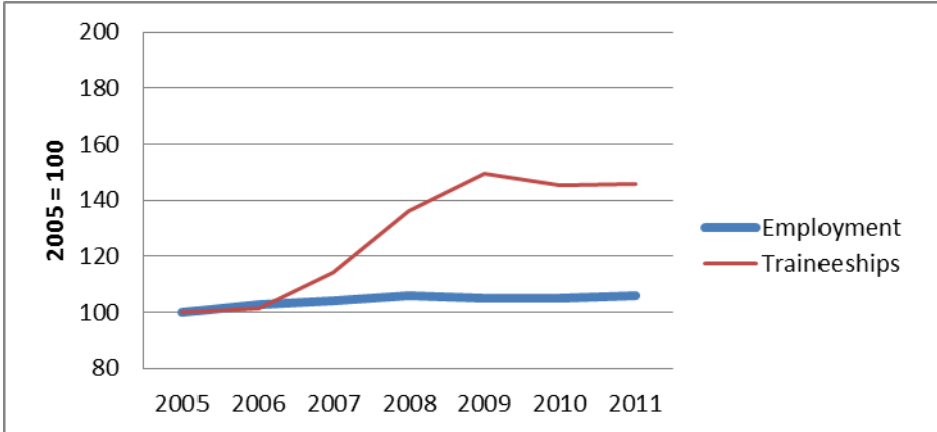
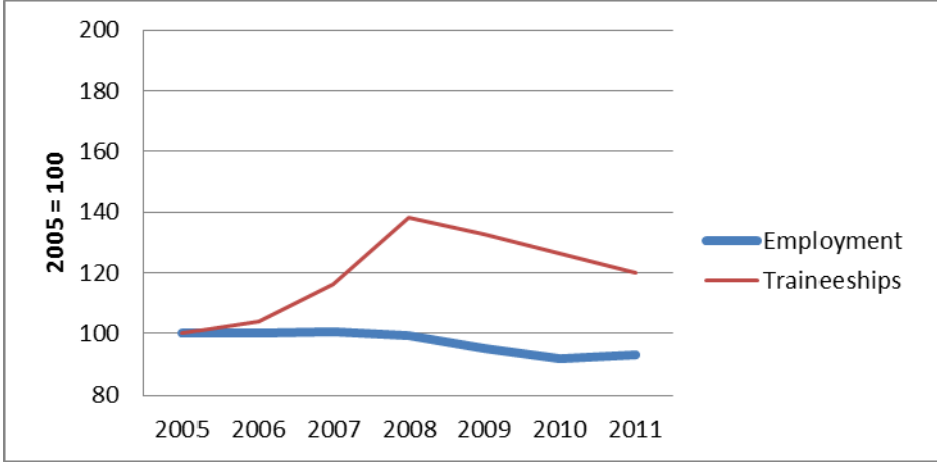


Figure 4 Traineeships and employment, Italy, Industry ex-construction, 2005-2011



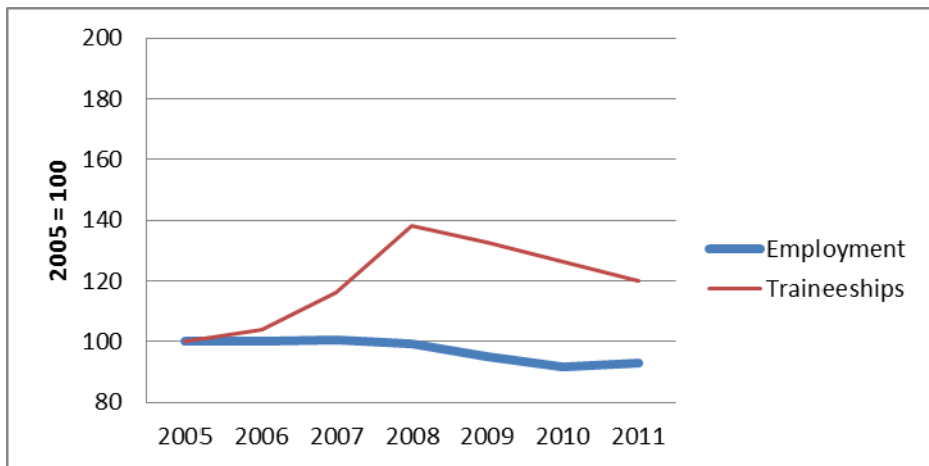
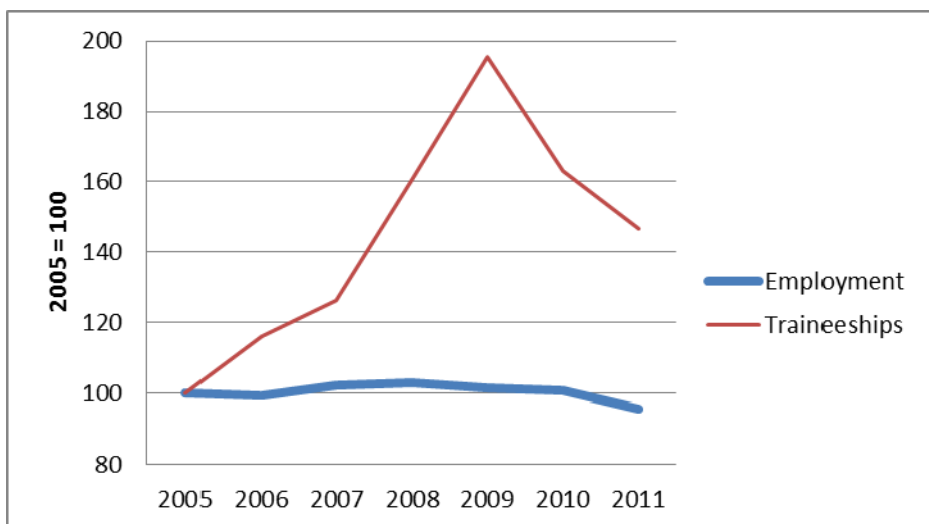
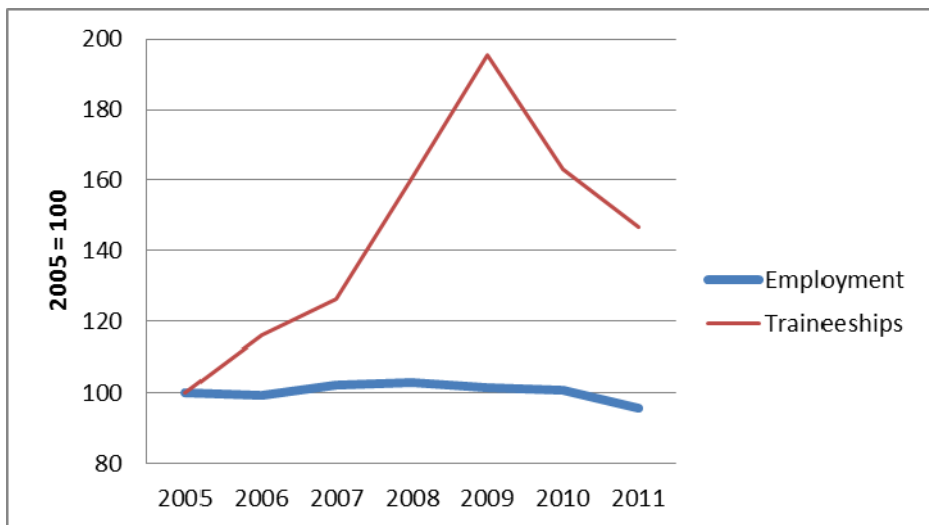


Figure 5 Traineeships and employment, Italy, construction, 2005-2011





## 12.11. Geography of quality

Table 8 Share of substandard traineeships by country (various dimensions)

% Share of respondents who disagree to statements on the quality of their traineeship	UE	BE	BG	CZ	DK	DE	EE	IE	EL	ES	FR	IT	CY	LV	LT	LU	HU	M T	NL	AT	PL	PT	RO	SI	SK	FI	SE	UK	HR
Useful learning content	10	6	10	14	15	15	6	17	11	9	9	6	17	12	5	7	6	2	10	14	21	7	9	5	3	9	5	7	9
Useful to find a job	28	16	26	26	18	34	24	14	22	15	33	30	37	22	36	20	19	15	22	32	43	17	13	20	19	64	26	21	28
Working conditions (excl. pay) equivalent to those of regular employees	19	13	29	28	26	18	9	10	28	28	16	22	34	31	17	26	54	13	20	17	30	18	12	16	42	21	15	11	20
You could turn to a mentor who helped you and explained how to do the work	9	6	6	14	6	5	5	7	20	21	11	11	15	10	3	8	10	11	9	7	12	4	4	5	12	8	6	6	6

Source: elaboration from Eurobarometer, Volume A (Results by country), pp. 23-30

## 12.12 A voluntary approach to Quality Labels for Traineeships

In response to concerns about traineeship qualities, in the UK a number of initiatives have been taken by professional associations, stressing voluntary adherence to codes of conduct by HOs, particularly regarding open market traineeships. This type of traineeship has been subject in the UK to no or the least regulation and little by way of formal quality assurance processes. There has been an number of voluntary quality charters and frameworks aimed at providing good practice guidelines to organisations which take on trainees. Two have had a particularly high profile.

1. In 2009 the UK's Chartered Institute for Personnel and Development (CIPD) produced an Internship Charter aimed at promoting quality traineeships.
2. More recently, on 18 July 2011, a consortium of 60 professional associations launched, with the support of the UK Government, a voluntary Code of Best Practice for Quality Internships as a way of addressing concerns about such schemes, including those associated with mandatory professional training. Although the Code of Best Practice for Quality Internships touches on trainee remuneration, it does not include it as part of its best practice principles. Instead, it exhorts employers to comply with the law whereby trainees, unless classified as volunteers, are entitled to NMW, and mentions that higher pay might attract higher calibre candidates to traineeships.

Both the Internship Charter and the more recent Code are entirely voluntary and have no legal force.

The Code recommendations cover similar quality elements as those identified by the Traineeship study, such as a written traineeship agreement and a specification of the nature and content of the tasks.

- Preparation – Firms need to think beforehand about the effective use of the trainee
- Recruitment – Recruitment practices for trainees should be the same as those for regular employees. Traineeship adverts should clearly state the trainee's roles and responsibilities as well as pay, duration and working hours
- Induction – All trainees should have a formal induction to the company
- Treatment – Trainees should be treated the same as regular employees, integrated into the organisation and given meaningful work
- Supervision and mentoring – There should be a supervisor with ring-fenced time in their schedule to work with the trainee. The supervisor should establish performance and learning objectives, conduct performance reviews and provide feedback
- Certification, reference and feedback – Trainees should receive a certificate/reference letter and have opportunity to feedback to the organisation on their experience.

Source: <http://www.bis.gov.uk/assets/BISCore/higher-education/docs/C/11-1068-common-best-practice-code-for-quality-internships.pdf>

### 12.13. Summary tables for each option

Table 9 Impacts of Option 1: Information Website

Measure	Impact on supply of substandard traineeships	Impact on supply of quality traineeships	How does the option address the problems?
Creation of an information website for trainees with regulations and types of traineeships per MS	<p><b>0</b></p> <p>Substandard traineeships often already violate regulations ;</p> <p>Stronger awareness of rights by trainee candidates not likely to change much owing to disincentives to complaints and limited payoffs to plaintiffs.</p> <p>Zero or limited cost change for substandard traineeships, hence limited impact.</p>	<p><b>0</b></p> <p>Zero cost change for HOs/businesses.</p> <p>High-quality traineeships typically respect existing rules.</p>	<p>Insufficient learning content</p> <p>0/(+)</p>
			<p>Bad working conditions</p> <p>(+)</p>
	<p><b>Impact on applications for substandard traineeships</b></p>	<p><b>Impact on applications for quality traineeships</b></p>	<p>Lack of or low compensation</p> <p>0</p>
<p><b>Impacts :</b></p> <p>0 : zero or negligible</p> <p>(+) / (-) : slight but uncertain</p> <p>+ / - : possible</p> <p>++ / -- : likely</p> <p>+++ / ---- : very likely</p>	<p><b>0/(+)</b></p> <p>Impact on number of applications nil or even positive as candidates will not be in a stronger position to screen companies.</p>	<p><b>0/(+)</b> for domestic traineeships</p> <p><b>++</b> for transnational traineeships</p> <p>Lower information costs only for transnational t'ships as candidates may find other sources of information for domestic t'ships, but information is scarce for transnational t'ships.</p> <p>2013 EB on t'ships : 38% of those interested in a traineeship abroad did not go because of lack of information.</p>	<p>Low intra-EU trainee mobility</p> <p>++</p>

<p><b>Overall assessment</b></p>	<p><b>Effectiveness :</b> 0 for domestic traineeships; ++ for transnational traineeships. Should help development of transnational traineeships but unlikely to change the balance between substandard and quality.</p>	<p><b>Efficiency:</b> Only partial solution, but given low cost, could be a useful complement to other options</p>	<p><b>Coherence:</b> Fully coherent</p>
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Table 10 Impacts of Option 2: Voluntary Quality Label

Measure	Impact on supply of substandard traineeships	Impact on supply of quality traineeships	How does the option address the problems?	
<p><b>Option 2:</b> Quality label for traineeships on a completely voluntary basis</p>	<p><b>0</b> Substandard traineeships will not apply for the label. If the label is a prerequisite for ESF support to traineeship programmes, it may serve as an incentive to transform substandard traineeships into quality ones.</p>	<p><b>0/(+)</b> No change in costs for high quality traineeships; increases reputational payoff for compliant companies, but experience has been that few companies apply. If ESF support to traineeship programmes is linked to the label, it may increase the supply of high-quality traineeships</p>	<p>Insufficient learning content</p>	<p><b>0/(+)</b> Uptake likely to be limited</p>
			<p>Bad working conditions</p>	<p><b>0</b> Uptake zero in substandard traineeships</p>
	<p><b>Impact on applications for substandard traineeships</b></p>	<p><b>Impact on applications for quality traineeships</b></p>	<p>Lack of or low pay</p>	<p><b>0/(+)</b> Probably limited uptake/ charter may not cover compensation</p>
<p><b>Impacts :</b> 0 : zero or negligible (+) / (-) : slight but uncertain + / - : possible ++ / -- : likely +++ / --- : very likely</p>	<p><b>0</b> Insignificant unless the take-up ratio for the Quality Label is very high (unlikely on the basis of past experiences and current market conditions)</p>	<p><b>0</b> Insignificant unless the take-up ratio for the Quality Label is high. The measure does increase availability of candidates for those companies offering a voluntary quality label but not overall given expected limited take-up rate.</p>	<p>Low intra-EU trainee mobility</p>	<p>(+) Effective on participating companies but impact limited given expected low uptake.</p>

<b>Overall assessment</b>	<b>Effectiveness : (+)</b> Should help the development of transnational traineeships but is unlikely to change the balance between substandard and quality traineeships.	<b>Efficiency</b> Only partial solution, but low cost	<b>Coherence:</b> Differences amongst labels may create inconsistency and obstacles to mobility
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Table 11 Impacts of Option 3a: Council Recommendation for QFT 'basic'

Measure	Impact on supply of substandard traineeships	Impact on supply of quality traineeships	How does the option address the problems?
Compulsory traineeship contract covering : objectives, content, monitoring; duration; compensation ; social security provisions	- Slight decrease likely. Some 'lost' substandard traineeships may reappear as good ones => QFT may stimulate take-up of good practices in <i>bona fide</i> HOs International experience shows that repression of violations is a challenge. Qualitative requirements easy to avoid.	+ / ++ Some substandard traineeships may be transformed in to good. High-quality t'ships already apply these principles; for the rest, there are only limited compliance costs. SME test : 72% of SMEs already ensure TR agreement and 61% ensure mentoring. Only 5 and 7% resp.ly would have problems ensuring these 2 requirements.	+ Should stimulate spread of basic good practices
			(+) Will raise awareness of rights even if enforcement difficulties
	<b>Impact on applications for substandard traineeships</b>	<b>Impact on applications for quality traineeships</b>	0 It has to be noted that no provisions on the level of remuneration or compensation possible at EU level

<p><b>Impacts :</b>  0 : zero/neglig.  (+) / (-) : slight but uncertain  + / - : possible  ++ / -- : likely  +++ / --- : very likely</p>	<p>(+)/+  Owing to difficulty of screening quality <i>ex-ante</i>, impact on applications should be roughly equal for substandard and quality traineeships (eg slight increase), unless degree and quality of adoption by HO allows some screening possibilities for trainee candidates</p>	<p>+ Domestic traineeships: Positive but modest as guarantee of recognition stimulate applications  ++ Transnational traineeships: Positive : clarity on conditions more important for transnational traineeships</p>	<p>Low intra-EU trainee mobility</p>	<p>++  Depending on the take-up rate, it will address extreme variety of regulation (including no regulation in some MS), reducing information barriers to mobility</p>
<p><b>Overall assessment</b></p>	<p><b>Effectiveness :</b> +  Should help development of transnational traineeships but will not substantially change the balance between substandard and quality ;</p>	<p><b>Efficiency</b>  Low compliance costs, diminishing over time</p>	<p><b>Coherence:</b>  Uneven implementation may not be consistent with mobility objective</p>	



Table 12 Impacts of Option 3b: Council Recommendation on QFT + Transparency

Measure	Impact on supply of substandard traineeships	Impact on supply of quality traineeships	How does the option address the problems?	
<p>Information on pay in vacancy notice;</p> <p>In case of unpaid t'ship, HO must indicate share of trainees recruited after t'ship in past 3 years</p>	<p>--</p> <p>Will discourage the offer of substandard traineeship by making it less easy to attract candidates. Will encourage to switch away from substandard towards higher employment ratios, or away from unpaid to paid traineeships.</p>	<p>(+)</p> <p>Depending on market conditions, would generate incentives to transform unpaid to paid traineeships or boost hiring ratios.</p> <p>Compliance costs negligible. SME test: 89% have no problem disclosing info on pay in vacancy notice.</p>	<p>Insufficient learning content</p>	<p>+++</p> <p>Incentive to shift to paid traineeships will stimulate attention to trainee productivity (not 'free resource').</p>
	<p><b>Impact on applications for substandard traineeships</b></p>	<p><b>Impact on applications for quality traineeships</b></p>	<p>Bad working conditions</p>	<p>(-)</p> <p>Shift to paid traineeships might put greater pressure on trainees to be productive.</p>
<p><b>Impacts :</b></p> <p>0 : zero/neglig.</p> <p>(+) / (-) : slight but uncertain</p> <p>+ / - : possible</p> <p>++ / -- : likely</p> <p>+++ / --- : very likely</p>	<p>---</p> <p>Greater transparency will act to reduce applications to bad HOs. 'Bad surprises' will be less frequent (only 42% of adverts include pay info</p>	<p>+++</p> <p>Positive substitution effect from substandard traineeships and from greater trust and confidence. Greater transparency and trust will also cut time devoted to screening offers. Any increase in paid traineeships =&gt; increase in applications</p>	<p>Lack of or low pay</p>	<p>+++</p> <p>Creates incentive to gear traineeships to hirings i.e. long-term orientation. Final impact depends on market conditions =&gt; may fluctuate.</p>
			<p>Low intra-EU trainee mobility</p>	<p>+</p> <p>Greater awareness of pay and hiring chances will stimulate applications by foreign candidates.</p>

<b>Overall assessment</b>	<b>Effectiveness</b> : ++/+++ Positive. Expected to have tangible effects.	<b>Efficiency</b> : Measure has practically zero compliance costs for legitimate traineeships and discourages unscrupulous practices.	<b>Coherence</b> : Uneven implementation may not be consistent with mobility objective
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Table 13 Impacts of Option 4: Directive on QFT + Transparency

Measure	Impact on supply of substandard traineeships	Impact on supply of quality traineeships	How does the option address the problems?
Information on pay in vacancy notice; In case of unpaid t'ship, HO must indicate share of trainees recruited after t'ship in past 3 years	-- Will discourage the offer of substandard traineeship by making it less easy to attract candidates. Will encourage to switch away from substandard towards higher employment ratios, or away from unpaid to paid traineeships.	(+) Depending on market conditions, would generate incentives to transform unpaid to paid traineeships or boost hiring ratios. Compliance costs negligible. SME test: 89% have no problem disclosing info on pay in vacancy notice.	+++ Incentive to shift to paid traineeships will stimulate attention to trainee productivity (not 'free resource').  (-) Shift to paid traineeships might put greater pressure on trainees to be productive.
	<b>Impact on applications for substandard traineeships</b>	<b>Impact on applications for quality traineeships</b>	Lack of or low pay
<b>Impacts :</b> 0 : zero/neglig. (+) / (-) : slight but uncertain + / - : possible ++ / -- : likely +++ / --- : very likely	--- Greater transparency will act to reduce applications to bad HOs. 'Bad surprises' will be less frequent (only 42% of adverts include pay info)	+++ Positive substitution effect from substandard traineeships and from greater trust and confidence. Greater transparency and trust will also cut time devoted to screening offers. Any increase in paid traineeships => increase in applications	+++ Creates incentive to gear traineeships to hirings i.e. long-term orientation. Final impact depends on market conditions => may fluctuate.  +++ Greater awareness of pay and hiring chances will stimulate applications by foreign candidates. Will be effectively implemented in all MS, given its binding nature, multiplying impact.

<b>Overall assessment</b>	<b>Effectiveness : ++/+++</b> Positive. Expected to have tangible effects.	<b>Efficiency :</b> Measure has practically zero compliance costs for legitimate traineeships and discourages unscrupulous practices.	<b>Coherence :</b> EU-wide implementation ensures best consistency with mobility objective
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