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Placements for Apprentices Issues Paper

Objective

1. The objective of this paper is to report to the SR TEG the analysis performed by Secretariat and agree on the definition of the additional datapoint for apprenticeships to be added to the module 3 VSME standards.

Background:

2. On September 29 SR TEG members discussed a proposal to have a datapoint on “Placements issued for trainee (apprentices)”. Although this would be an exception to the building block approach (as datapoint was not part of Set 1 nor LSME), feedback received from EFRAG SRTEG members suggested it would be justified by a different predominant business model in SMEs and the relevance of this specific positive impact within the society.
3. A follow up action was taken by EFRAG Secretariat from this meeting to ensure that the datapoint proposed passes the test of ESRS 1 Qualitative characteristics of information (relevance, faithful representation, comparability, verifiability, understandability). On this context, the analysis took into consideration the following questions:
 - a. What are the differences between “apprentices” and “trainees”? Would they be classified as employees (as per ESRS S1)?
 - b. Is there symmetry on its definition and approach across EU Member States (in terms of definitions and legal status)?

Description of the issue

4. Given the asymmetries in the definition and approach to apprenticeships in Member States, the issue is whether the current formulation of the draft Disclosure Requirement should be revisited. The text in the VSME working paper dated 17 October 2023 reads as follows: *The SME shall disclose: (i) whether it has issued placements for trainees or apprentices in the reporting year.*



5. The question is whether the formulation should be amended to reflect if the DR is aimed at apprenticeships rather than placements for trainees or apprentices. These amendments are sought on the basis of higher comparability and understandability of this metric.

Analysis of the issue

The main differences between apprentices and trainees:

6. Apprenticeships are forms of vocational education and training and tend to be more strictly regulated than traineeships. The level of regulation however differs across Member States.
7. The definition of apprenticeship depends on national traditions; some countries have a strong tradition of apprenticeships, that are highly regulated, for example dual vocational systems; others may currently be increasing their efforts at strengthening systems of work-based learning.¹ Consequently, there are also significant differences in the use and prevalence of apprenticeships (see Appendix 1, Figure 1).
8. A number of Member States in the EU have apprenticeship schemes that have are legally defined and/or system-level or mainstream schemes (a study by CEDEFOP on ‘Apprenticeship schemes in European countries’ identified at least one apprenticeship scheme, considered as such in the national context, with a valid legal basis and is mainstreamed at system level in 24 out of 30 countries).²
9. Efforts have taken place at EU level to improve the quality of apprenticeships, aiming to increase participation.³ The ILO has also recently published a Recommendation on Quality Apprenticeships, recognising their importance for providing opportunities for people to “skill, reskill and upskill continuously” to address challenges of unemployment and skills shortages.⁴

Legal Status:

10. Apprenticeships models may be legally defined through agreements with employers or labour representatives. However, these differ across the EU on various characteristics: duration, time spent on training and productive work, apprentice status, pay.⁵
11. For example, in Germany, the legal status of apprentices is defined through a special apprentice contract, which differs from a standard employment contract.

¹ European Parliament, “Skills Development and Employment: Apprenticeships, Internships and Volunteering,” 2017.

² No system-level mainstream apprenticeship schemes were identified in six countries: Bulgaria, Czech Republic, Lithuania, Malta, Slovenia, Slovakia. However, in four of those countries a valid legal framework existed and/or apprenticeship schemes were piloted.

European Centre for the Development of Vocational Training, “Apprenticeship schemes in European countries,” 2018.

³ The Council Recommendation on a European Framework for Quality and Effective Apprenticeships (2018) emphasises

The Council Recommendation on a Quality Framework for Traineeships (2014) established several principles to improve to quality of traineeships outside formal education.

⁴ ILO, Quality Apprenticeships Recommendation, 2023 (No. 208).

⁵ OECD, “Striking the right balance: Costs and benefits of apprenticeship,” 2017.



12. The regulation of traineeships across Member States varies significantly. Trainees are not typically employees.⁶
13. It should also be noted that initiatives and regulation related to improving the quality of traineeships have also focused on trainees as a vulnerable group. In a recent Resolution the European Parliament emphasised, for example the importance of access to social protection for trainees.⁷ This is also reflected in the Framework Directive 89/391/EEC which includes “trainees and apprentices” in its definition as “worker”.⁸ For an overview of the quality of traineeships in the EU according to the Council Recommendation on a Quality Framework for Traineeships see Appendix 1, Figure 4.

Conclusion

14. At present, employer-based training may be based on a training contract, an employment contract or both⁹ in European Member States. Apprenticeships, when regulated through employment contracts would fall within the definition of “employee” of S1; however, this will not be the case for all Member States. This seems even to be even less likely in the case of traineeships, or internships, which are less regulated (for an overview, see Appendix 1, Figure 3, 3.1). Comparability of an indicator focusing on apprentices instead of trainees would thus be more comparable and relevant, especially given the growing importance of apprenticeships as a measure to address the skills shortage and youth employment (SMEs are an important provider of apprenticeships¹⁰).
15. In practice, we note significant differences across the EU, in particular the share of apprentices and the importance of apprenticeships in national systems varies (for example, for companies in Germany the “number” of placements would likely be the highest).
16. In conclusions, an indicator based on number of apprenticeships whereby these are defined by the regulation of each Member State would be the recommendation of Secretariat. Therefore, the proposed reading would be as follows:

“The SME shall disclose the number of apprentices in the reporting period.”

In addition, an application requirement is proposed to address the possible differences in definitions and schemes across Member States: *“AR. The information required to be disclosed with regard to apprentices shall not affect their status pursuant to applicable law.”*

⁶ BusinessEurope, “Response to first stage consultation of social partners on a possible action further improving the quality of traineeships,” 2023.

⁷ European Parliament, “Resolution on quality traineeships,” 2023.

⁸ The Directive on Transparent and Predictable Working Conditions leaves the possibility of trainees and apprentices open (based on CJEU case law criteria for determining the status of a worker).

⁹ ILO, “Rising to the Youth Employment Challenge,” 2017.

¹⁰ Importance of apprenticeships for SMEs highlighted through various initiatives of promotion: SME United, “Youth and Skilled Workforce Best Practices from SMEunited Members,” [smeunited-best-practices-youth-skilled-workforce.pdf](#)



Questions for EFRAG SR TEG

17. Does EFRAG SR TEG members agree with Secretariat's proposal? If not, could you explain your rationale?



Appendix 1: Definitions and figures of apprenticeships and traineeships in the EU

Definitions Apprenticeships:

1. The Council Recommendation on a European Framework for Quality and Effective Apprenticeships is based on the following definition (without prejudice to national terminology): *apprenticeships are understood as formal vocational education and training schemes that (a) combine learning in education or training institutions with substantial work-based learning in companies and other workplaces, (b) lead to nationally recognised qualifications, (c) are based on an agreement defining the rights and obligations of the apprentice, the employer and, where appropriate, the vocational education and training institution, and (d) with the apprentice being paid or otherwise compensation for the work-based component.*
2. The ILO defines apprenticeship in the 2023 Quality Apprenticeships Recommendation (No. 208) as *a form of education and training that is governed by an apprenticeship agreement, that enables an apprentice to acquire the competences required to work in an occupation through structured and remunerated or otherwise financially compensated training consisting of both on-the-job and off-the-job learning and that leads to a recognised qualification.*

Definition Trainees:

3. In a joint publication to support the European Union Youth Guarantee, the ILO and European Commission define trainees in a report (“Developing quality traineeships for young people”) as short-term periods of work practice in a firm, public body or non-profit organization, during which a person receives training and acquires experience in a specific field or career area, prior to taking up regular employment.

European Centre for the Development of Vocational Training, *How many apprentices are there in the EU?*

Report from 2021 on apprenticeship participation based on national sources, while aiming to contribute to the discussion about the necessity for EU-wide comparable statistics on apprenticeships and precisely how many apprentices there are in a country per year.

Figure 1: Number of apprentices in the EU (select countries), based on Cedefop European database on apprenticeship schemes

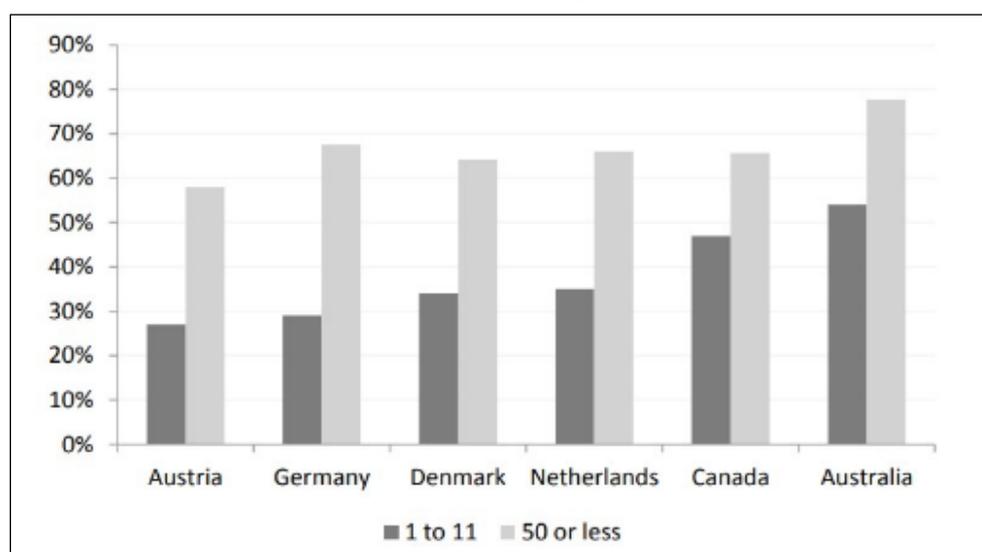
Country	Information at country level	Name of scheme and the information at scheme level	Year	Data source
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Austria	99 613	Dual apprenticeship	2018	Cedefop database
Denmark	109 208	Apprenticeship	2019	Statistics of the Ministry of Education
France	661 200	Apprenticeship contract: 419 800 Professionalisation contract: 241 400	2017	Cedefop
Germany	1 983 564	Dual VET	2019	www.bibb.de/dokumente/pdf/bibb_datenreport_2020.pdf
Italy	11 519	Apprenticeship for vocational qualification and diploma. Upper secondary education diploma and high technical specialisation certificate: 10 537 Higher education and research apprenticeship: 982	2017	Cedefop database
Romania	16 272	At the workplace: 3 364 VET in dual system: 12 908	2018 2019/20	Cedefop database
Slovakia	NA	NA	NA	There is no mainstream apprenticeship scheme under Cedefop database
Spain	141 477	Apprenticeships in Dual VET	2017/18	Cedefop database

OECD, *Striking the right balance: Costs and benefits of apprenticeship*

Report from 2017 that discusses the benefits of high-quality apprenticeships and the distribution of costs



and benefits of apprenticeships, also addressing SMEs.

The report identifies small companies as an important provider of apprenticeships, while acknowledging some challenges SMEs may face, such as larger companies being more

likely to retain valuable apprentices, through being able to offer higher pay and other benefits.

Figure 2: Share of apprentices (16-65 year olds) work in small and micro companies

	Apprenticeship	Internship/traineeship	Volunteering
Scope	Full qualifying professional or vocational education and training profile	Complementing educational programme or individual CV	Not linked to an educational programme; conducted out of own interest
Objective	Professional profile/qualification	Documented practical work experience	Provide support to an organisation; to be of benefit for the community
Educational level	Usually EQF level 3-5	All EQF levels – common forms in (pre) vocational education, in higher education and after graduation (sometimes compulsory)	Non-specified, all skills level
Content	Acquisition of the full set of knowledge, skills and competences of an occupation	Vocational and/or work/career orientation, acquisition of parts of knowledge, skills and competences of an occupation or a profession	No specific learning objective
On-the-job learning	Structured on-the-job-learning, equally important to coursework	Structured and non-structured learning, complementing coursework or optional extra	non-structured, informal learning; no coursework involved
Length/duration	Determined, middle- to long-term Usually up to four years	Varying, short- to middle-term Usually less than one year	Varying, short term to involvement for years
Employment status	Employee status Contracted/employed apprentice	Varying status ranging from agreement with employer or school to volunteer status or not clearly defined status	Optional agreement on rights and obligations between the volunteer and the organisation.

	Apprenticeship	Internship/traineeship	Volunteering
Compensation	Remunerated – amount collectively negotiated or set by law	Varying remuneration, often unpaid Unregulated financial compensation	Non-paid, reimbursements possible
Governance	Strongly regulated, often on a tripartite basis	Unregulated or partly regulated	Unregulated or partly regulated

European Parliament, *Skills development and employment: Apprenticeships, internships and volunteering*

This study discusses the differences and challenges of apprenticeships, internships/traineeships and volunteering schemes. The study identifies current unclarity on the employment status of apprentices as a significant issue. While the employment status of apprentices differs (depending on the country), in general

apprentices are employed by a company that is training them and will likely also receive compensation and be able to benefit from applicable employment regulation.

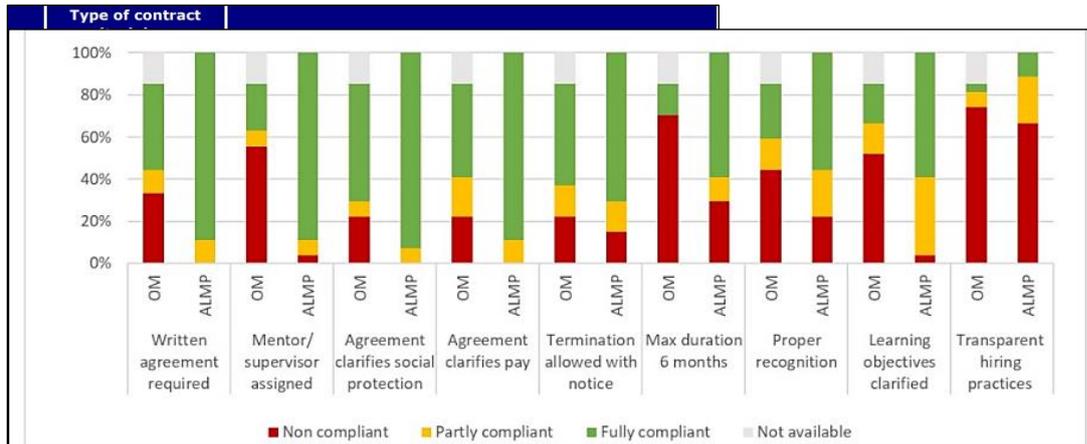
Apprenticeships, traineeships and internships differ in various aspects, the table provides a comparative overview.

Figure 3: Differences between apprenticeships and internships/traineeships and volunteering



Apprenticeships will usually be governed by a contractual agreement, which can be an employment contract, a contract between the training institution, the employer and the apprentice (or a mix of both).

Figure 3.1: Type of contractual conditions and types of contract differ per country:



Source: Author’s illustration based on European Commission reporting on the implementation of the QFT⁶⁴

FI	employment contract	Fixed-term employment contract between an employer and an apprentice who is at least 15 years’ old
FR	employment contract	Apprentice contract is signed between the apprentice and the employer
IT	employment contract	The employer and the apprentice sign the contract and agree the training programme.

Source: UEAPME, BusinessEurope, CEEP (2016), The cost-effectiveness of apprenticeship schemes – making the business case for apprenticeships (amended by authors).¹⁵⁴

European Parliament, *The quality of traineeships in the EU (European added value assessment)*

This study from 2022 discusses the current quality of traineeships in the EU, assessing the current relevancy of the 2014 Council Recommendation on a Quality Framework for Traineeships (2014/C 88/0).

Depending on national regulation, the approaches and legal bases for traineeships differ across Member States. The Quality Framework Criteria are assessed in the graph below (based on Member States’ self-reporting in 2016 on applying the framework). This is separated for (1) open-market (OM) and ALMP-financed traineeships (figure demonstrates that open-market traineeships score less on quality criteria).

Figure 4: Share of Member States complying with QFT Criteria

