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# DIGITALEUROPE's response to the initiative on Individual Learning Accounts



## Executive summary

DIGITALEUROPE welcomes the initiative on Individual Learning Accounts (ILAs) and sees them as an important step towards a workforce ready for the digital age. ILAs, that is accounts granted to working-age citizens to accumulate funds to be spent on education or professional training, may be a key tool stimulating digital upskilling, especially through specialized, narrow in focus courses.

70% of European enterprises should be providing ICT training to their employees – at the moment, only 24% do so<sup>1</sup>. 52% of the European workforce requires re-skilling and, out of those, half needs less than 3 months<sup>2</sup>.

### Our top recommendations:

- ▶ A European ILAs initiative could add value to the current training market by providing tools that stimulate the employee's motivation for further training. The focus must be on stressing the positive causal correlation between training undertaken and employee efficiency resulting from it.
- ▶ No single actor can solve the reskilling/upskilling challenge alone; strong governments' involvement is needed to shape a framework for validation of outcomes and portability of entitlements.

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<sup>1</sup> Eurostat (2020) *Enterprises that provided training to develop/upgrade ICT skills of their personnel*. Eurostat table ISOC\_SKE\_ITTN2. Eurostat. Available from: [https://digital-agenda-data.eu/datasets/digital\\_agenda\\_scoreboard\\_key\\_indicators/indicators#digital-skills](https://digital-agenda-data.eu/datasets/digital_agenda_scoreboard_key_indicators/indicators#digital-skills) [Accessed 06/10/2021]

<sup>2</sup> World Economic Forum (2018). *The Future of Jobs Report*. World Economic Forum. Available from: [https://www3.weforum.org/docs/WEF\\_Future\\_of\\_Jobs\\_2018.pdf](https://www3.weforum.org/docs/WEF_Future_of_Jobs_2018.pdf) [Accessed 06/10/2021]

- ▶ Tax incentives or subsidies for ILAs, be it for individuals or companies, may be less effective than desired, with the reason being that such measures inadvertently require extra resources for administration. Should tax exemptions or subsidies be used to supporting training, it is critical the system is clear and simple.
- ▶ On financing sources to increase the pool of funding spent on training, DIGITALEUROPE recommends that ILAs be supported through 4 sources: individual contribution, member states' public funding, EU funding, and employers' contribution.

## Barriers to upskilling

Four types of barriers which prevent individuals and enterprises from providing the necessary upskilling were identified:

- ▶ **Cost:** The direct (course fees, tuition, etc.) and indirect costs of training (e.g., loss of time in work) are among the primary barriers preventing individuals from accessing training. Furthermore, the existing programmes for funding often insufficiently differentiate between the value/cost of basic (digital literacy) and more advanced (specialist and comprehensive) courses. Tailored rules for funding support are necessary for ILAs to be successful.
- ▶ **Time:** Another primary barrier is the lack of time to undertake training. ILAs address those issues – the individual choice aspect of ILAs may allow participants to choose the most convenient time themselves.
- ▶ **Motivations and incentives:** Uncertainty regarding the quality of training, as well as the lack of knowledge as to which skills are most needed to improve employment and income prospects, are the primary barriers related to motivations and incentives.
- ▶ **Employer's constraints:** Another important obstacle to a higher training provision on the labour market is the lack of capacity by small, medium, and micro-enterprises to organising training for their employees. ILAs, through shifting a part of the decision-making process to the individual, may be a response to that issue.

## Main objectives of the ILAs

DIGITALEUROPE identifies four main objectives of an EU ILAs initiative

- ▶ **Employee motivation:** An EU ILAs initiative could add value to the current training market by providing tools that stimulate the employee's motivation for further training. The focus must be on stressing the positive causal

correlation between training undertaken and employee efficiency resulting from it. Employee co-financing of training is thus very much welcomed and recommended.

- ▶▶ **Portability and recognition of training entitlements:** it is crucial and should involve all Member States. No single actor can solve the reskilling/upskilling challenge alone. Strong governments' involvement is needed to shape a framework for validation of outcomes and portability of entitlements.
- ▶▶ **Focus on both short-term and long-term training needs:** encouraging training within the current job and more fundamental job-related training for a professional transition are both of paramount importance. Policy measures should foster flexibility in training, but also lead to the development of comprehensive reskilling/upskilling learning pathways for the digital transition of the workforce. Learners also ask for more personalised training (i.e., shorter courses and stackable degrees) to have recognised the knowledge and skills that they gain via activities beyond traditional degree courses (i.e., certificates and badges).

## Our recommendations

We recommend focus on the following aspects:

- ▶▶ **Universal, but differentiated, support for training:** all working-age individuals should be given training entitlements. Those with particular training needs should receive a greater number of those. This approach is a critical to prioritise skills in shortage in specific sectors, and thus prepare the workforce for labour market changes.
- ▶▶ **Governance:** a register of training opportunities could greatly improve the efficiency of ILAs and ensure a high level of quality of the offered courses; for transparency reasons, governments appear to be better positioned than other actors to govern such a registry. However, a strong public role in the register should not hamper the registry's ability to adapt to changes in market needs, notably when new technologies enter the market. There should also be a mechanism to implement modifications to the register as needed.
- ▶▶ **EU policy instruments:** The best instruments to ensure a sufficient level of access to and uptake of training opportunities across the EU would be the introduction of EU legislation to be adhered to by Member States on a voluntary basis (e.g., a Council Recommendation), as well as strengthening EU-level monitoring and exchange of best practices (e.g., European Semester, Open Method of Coordination).

To increase the on-the-ground impact of the ILAs, we also suggest that EURES embeds the relevant URLs into national platforms' info on training accounts, and that CEDEFOP monitors developments on the use of ILAs through reports / forecasts.

- ▶▶ **Financing sources:** the ILAs should be supported through 4 sources: individual contribution, member states' public funding, EU funding, and employers' contribution. However, there are two important conditions. First, tax-financed schemes, however redistributive they may be, are sensitive to budgetary constraints and are likely to result in less predictable funding over time. The initiative should avoid an over-emphasis on tax incentives or subsidies for individuals or companies. The latter may be less effective than desired, as they would inadvertently require extra resources for their administration, be them from the company or the individual. Should tax exemptions/subsidies/cost exemptions be used to supporting training, it is critical their system is clear and simple. If well-designed, ILAs can minimise the administrative burden for both the individual and the firm, limiting training management efforts to government and training provider only. Second, mechanisms based on employers' levies can earmark relevant funding. But depending on the levy redistribution arrangement, they can lead to scenarios where large companies cumulate entitlements for training provisions without being able to spend them, nor transfer them to other firms.
- ▶▶ **Time constraints for training:** training systems within the ILAs should be specifically designed around adults' needs to conciliate work, private and family life. The employer's agreement on employee training is therefore critical to carve out the necessary time for training during working hours.

Please find DIGITALEUROPE's response to the EC public consultation on Individual Learning Accounts [here](#)

## About DIGITALEUROPE

DIGITALEUROPE represents the digital technology industry in Europe. Our members include some of the world's largest IT, telecoms and consumer electronics companies and national associations from every part of Europe. DIGITALEUROPE wants European businesses and citizens to benefit fully from digital technologies and for Europe to grow, attract and sustain the world's best digital technology companies. DIGITALEUROPE ensures industry participation in the development and implementation of EU policies.

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